EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,980 | Tuesday October 24 1989 | D 8523A

SOVIET UNION
Looks West as crime rises
Page 4

World News

Summit ends in acrimony over Thatcher statement

British Prime Minister Margaret Thatcher came under fierce attack from other Commonwealth leaders for comments made on South Africa after subscribing to a joint declaration approved by all the heads of government. Page 26 and Page 3

Houston explosion
An explosion rocked Phillips Petroleum's chemical complex in east Houston, injuring some 100 workers and setting off a major fire.

Iran plans revival
Iranian President Rafsanjani outlined plans to liberalise the financial system and revive industry with the help of private businessmen and foreign partners. Page 26

Bhutto threatened
Pakistan's opposition parties said they would present in Parliament a no-confidence motion aimed at bringing down Prime Minister Benazir Bhutto's 11-month-old minority government. Page 2

Immigrants to HK
Hong Kong and China patched up a stormy diplomatic row over the handling of illegal immigrants which has soured relations at a sensitive time. Page 3

Bomb hurts Greeks
Four Greeks were slightly wounded when three bombs blew up parked cars belonging to Americans working at the US airforce Hellinikon base in an Athens suburb.

Aoun isolated
Christian leader Michel Aoun increased his isolation by angrily turning on Lebanon's deputies for agreeing to a peace plan that did not guarantee a complete Syrian troop withdrawal.

Japan lauds Reagan
Japan gave former US President Ronald Reagan its highest decoration, the Grand Cordon of the Supreme Order of the Chrysanthemum, at Tokyo's Imperial Palace.

S Yemen talks to US
The Prime Minister of South Yemen, the Arab world's only Marxist-ruled state, said his country had begun negotiations with the US to restore diplomatic relations broken off 20 years ago.

Soviet self-criticism
Soviet foreign minister Eduard Shevardnadze denounced in a speech to Parliament Moscow's nine-year involvement in Afghanistan.

Blast causes quake
An underground nuclear blast at the Semipalatinsk testing range triggered a minor earthquake in Soviet Kazakhstan last week, a leading anti-nuclear campaigner told Parliament.

Dutch soccer ban
The director of Ajax Amsterdam soccer club recommended that Dutch professional matches be suspended for six months because of violence among fans and an incident when crowds threw home made bombs onto a pitch.

Kasparov wins
World chess champion Gary Kasparov twice trounced the world's most highly-rated chess computer, "Deep Throat", in 52 and 37 moves.

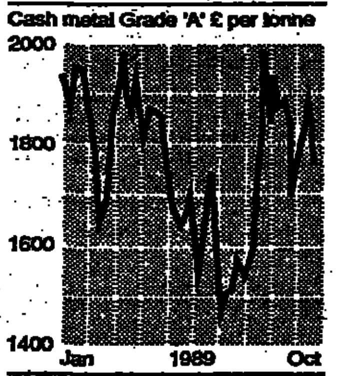
Business Summary

Citicorp cuts its research team for UK equity market

CITICORP'S UK securities house, Citicorp Scrimgeour Vickers, is preparing to cut up to half of its research cover of the London equity market.
Unlike other companies that consider it necessary to cover the entire market, CSV has decided to analyse sectors representing less than two-thirds of the market in terms of capitalisation. Page 26

COPPER: the London Metal Exchange market continued to retreat with the cash quotation ending £76.50 down at £1,757.50 a tonne and the premium over metal for delivery in three months narrowing by £11.50 to £18 a tonne. Commodities, Page 40

Copper
Cash metal Grade 'A' £ per tonne



CREDIT Agricole, Europe's largest bank, is set to take a 13.3 per cent stake in Nuovo Banco Ambrosiano, outflanking Italy's Generali insurance group and the Gemina financial holding company controlled by Fiat. Page 27

BRITISH Gas's monopoly in the UK industrial gas market is set to be broken following the launch of a gas supply company owned by Shell and Esso, the biggest oil and gas producers in the North Sea. Page 26

WORLD trade: the US unveiled a blueprint for a multilateral agreement that would liberalise the $560bn world trade in services. Page 8

EURODISNEY: the London Stock Exchange said it will allow members to deal in shares of Euro Disneyland, the operating company for the US concern's latest theme park being built outside Paris, from this morning. Page 27

NIPPON Telegraph and Telephone: the Japanese Prime Minister's office added its voice to the growing chorus demanding the reform or break-up of the telecommunications giant. Story and analysis, Page 31

ROTHSCHILD family is moving back to Frankfurt with a representative office for its London, Paris and Zurich operations some 88 years after leaving the city where its banking business was born two centuries ago. Page 33

SANOFI, pharmaceuticals and cosmetics producer controlled by Elf Aquitaine, French oil group, predicted earnings would rise 20 per cent this year from FFr14.5bn ($2.3bn) in 1988.

AEROFLOT, Soviet national airline, is negotiating to buy up to 10 aircraft from Airbus Industrie, European consortium, its first such purchase from the West. Page 8

UNION Carbide, leading US chemical group, reported third-quarter earnings of $139m or 96 cents a share, down 35 per cent from $213m or $1.56 a year. Page 30

W GERMAN economy: the threat of continuing high unemployment is virtually the only cloud over an otherwise optimistic future, five institutes said, Page 4

KAO, Japanese maker of soaps, detergents and toiletries, posted a 10 per cent gain in interim pre-tax profits to Y17.9bn ($125.7m). Page 30

Hungarians roar approval as leadership proclaims new republic

HUNGARY was officially transformed yesterday from a "peoples' republic" – in which the working class theoretically holds supreme power – to an ordinary "republic" in a ceremony packed with central European pageantry, symbolism and emotion, writes Judy Dempsey from Budapest.

More than 70,000 people of all ages roared their approval as acting President Matyas Szuros announced the change from the balcony of the parliament building from which Imre Nagy, leader of the failed 1956 uprising, addressed supporters exactly 33 years ago.

"We have created the basic laws of the new Republic. It is a great historical task... We are re-building our history, we have to look to the future," President Szuros said.

The flags of St Stephen, who became the first King of Hungary in the year 1,000, and of Lajos Kossuth, leader of the failed 1848 revolution – both banned until recently – were waved high in the brilliant sunshine.

Young soldiers, carrying banners from various periods of Hungary's turbulent history, marched to music from a nationalist opera of the 19th century.

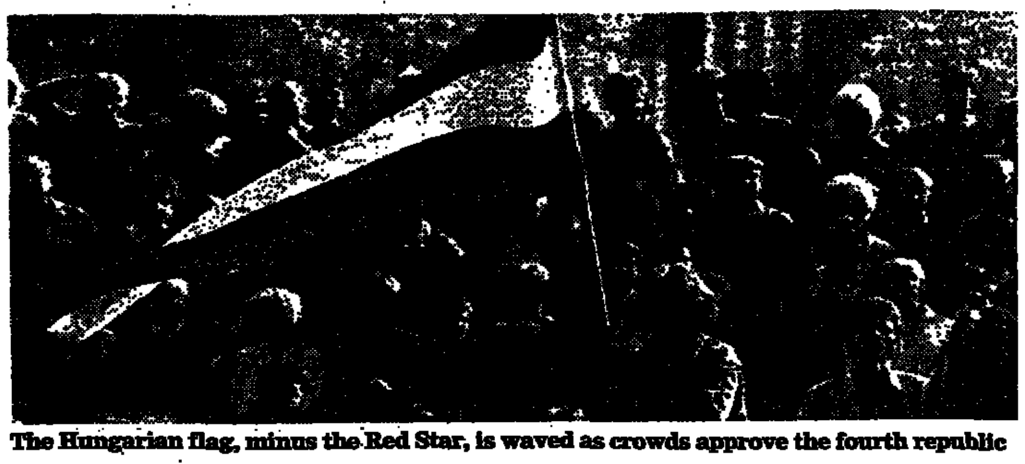
Mr Szuros warned a crowd bursting with nationalistic sentiment of the difficult tasks which lay ahead.

"We want to have good relations with East and West," he said. "We want a United Europe in order to create security. It is for the sake of Hungary to have good relations with the Soviet Union."

The mention of the Soviet Union brought boos and whistles from the crowd – confirming the recent upsurge in anti-Communist and anti-Soviet sentiment.

But when Mr Szuros said "we want good relations with the other super-power, the United States," the crowd immediately shouted "Hurrah" and clapped.

Continued on Page 26


The Hungarian flag, minus the Red Star, is waved as crowds approve the fourth republic

Paribas launches bid valued at FFr22.5bn for Navigation Mixte

By George Graham in Paris and Haig Simonian in Frankfurt

A BATTLE waged in secret on the Paris stock exchange over the past three weeks came into the open yesterday when Compagnière Financière de Paribas, the privatised French merchant banking and portfolio investment group, launched a bid for Compagnie de Navigation Mixte, the conglomerate controlled by Mr Marc Fournier.

The two groups have been buying each other's shares, thus driving prices up in spite of the plunge in the rest of the market following Wall Street's short-lived crash 10 days ago.

Yesterday, Paribas laid on the table a bid of FFr1,850 in cash or three of its own shares for each share in Navigation Mixte, valuing the insurance-to-canned tuna company at FFr22.5bn ($3.6bn). Paribas has already spent nearly FFr3bn building up an 18.47 per cent stake in Navigation Mixte and is bidding to raise this to 66.7 per cent.

The cash price is less than 3 per cent above Navigation Mixte's last traded share price on Friday but the shares had already risen by more than 30 per cent this month.

Navigation Mixte earlier this month agreed to sell 50 per cent of its insurance businesses, principally the Via Assurances and Rhin et Moselle companies, to West Germany's Allianz for about FFr6.5bn. That deal appears to be one of the main stimuli for Paribas's bid.

Mr Michel François-Poncet, Paribas's chairman, said yesterday that he had no intention of challenging the agreement.

Senior Paribas officials hinted that the group would be delighted to sell the remaining 50 per cent of these interests to Allianz if its bid for Navigation Mixte succeeded. Paribas appears unconcerned by earlier Allianz statements that it would "intervene intensely" to defend Navigation Mixte from a hostile takeover.

Allianz, West Germany's biggest insurance company, yesterday took a remarkably calm view of the Paribas bid. "We are watching the whole thing," said Mrs Imai-Alexandra Roehreke, an Allianz official. "We are onlookers, not actors."

Pointing to the lengthy speculation regarding possible bids for Navigation Mixte, Allianz *emphasised that its lawyers* had taken great care to protect its insurance deal from any outside bid for Navigation Mixte.

The bid, if successful, would give Paribas an attractive portfolio of holdings in the food, industrial and services sectors, with businesses such as Venoge champagne, Saupiquet canned tuna and Fichet-Bauche locks.

It would also gain access to about FFr11bn in cash – half of it the payment by Allianz for its 50 per cent interest in the insurance activities.

If many Navigation Mixte shareholders accept Paribas's paper offer, bankers point out, it would in effect have performed the remarkable feat of carrying out a form of capital increase at a premium of more than 15 per cent to its current share price.

Allianz's relaxed stance to what might be perceived as a serious threat to its long-awaited chance to increase its French market share lent weight to suggestions that the Germans may not have been too surprised, or displeased, by Paribas's move.

Thus Allianz's decision to raise its stake in Navigation Mixte beyond the 5 per cent level originally set could be seen as no more than an attempt to pick up cheap equity following last week's slump in share values.

Alternatively, the increase in the stake, which has not yet breached the 10 per cent level, could indicate the first steps in an eventual deal with Paribas *which would give Allianz full* control of Navigation Mixte's insurance interests. As one German insurance analyst noted yesterday: "If Allianz were to get a good offer, they would be sure to take a really close look at it."

The acquisition, if successful, will take Paribas back to a position of near equality with Suez, its old rival in the French investment banking market. Suez has recently leapfrogged into the lead, first with the takeover of Société Générale de Belgique, the leading Belgian industrial conglomerate, and then with the purchase of Groupe Victoire, the second largest French insurer, earlier this year.

Lex, Page 26; Paribas bid heralds a course change, Page 27; World stock markets, Section II

Bush and Congress in budget stalemate

By Peter Riddell, US Editor, in Washington

THE US budget process is stuck in a stalemate, with the Bush Administration and the congressional Republican minority on one side, and the Democratic majority leadership on the other.

Although the fiscal year began in early October, there is still no sign of agreement by Congress on a tax and spending package. Until this is approved, expenditure cuts of $16.1bn made last week cannot be reversed. The cuts were imposed under the sequestration procedures of the Gramm-Rudman deficit reduction law.

The lack of a budget means that a short-term spending bill has to be passed by tomorrow to continue overall Federal budgets at last year's levels for another three weeks. Legislation must also be passed by the end of the month to raise the Federal debt ceiling to prevent a default. A temporary increase, as in July, is likely but this could become tied up with the parallel battles over deficit reduction and capital gains tax.

The Senate and the House have both passed their own deficit reduction bills but they differ in key respects: the Senate version excludes the capital gains tax cut and extraneous provisions which would raise the deficit; the House version includes the latter items and a temporary cut in capital gains tax.

A joint conference is now trying to reconcile these versions. There are disputes not only between the parties but also between the Senate and

Continued on Page 26

First independent union is formed in East Germany

By Leslie Colitt in Leipzig

THE TORRENT of protest sweeping East Germany widened yesterday, as workers at a factory near East Berlin proclaimed the country's first independent trade union and nearly 150,000 people, in the biggest pro-democracy rally to date, marched through the streets of Leipzig.

The free union Reform was proclaimed at an electrical equipment plant in the town of Teltow. Founders said that "several hundred" of the 7,000 workers and left the official Free German Trade Union (FDGB) branch to join the new movement.

Mr Rolf Börger, a spokesman for the independent union, said it was demanding the right to strike and the removal of Communist Party cells and militia from factories.

Founders of Reform accused the FDGB of forfeiting the trust of most workers by failing to represent their interests.

An FDGB official in the factory, however, maintained that no new union had been set up there and said only 13 workers had left the official union.

She said that Mr Börger, an engineer, had stood up at a meeting of 30 people in his department and called on them to leave the official union and form a new one. She added that "his (Mr Börger's) activities failed."

The Leipzig march was similar to, but bigger than, pro-reform demonstrations in the southern city on previous Mondays this month which have taken place without interference from the police.

Boisterous, good humoured crowds from all over Saxony fanned out from six churches in the centre of Leipzig's Old town and marched peacefully on the surrounding Ring Boulevard.

They were joined by uniformed tram drivers and a busload of Soviet tourists who chanted "Gorby" and sang the Internationale with the marchers.

In an attempt to divert people from taking part in the protest march, local Communist party and government officials invited citizens to join them in open discussions throughout the city.

But for the first time in the Leipzig protests, which have grown sharply each Monday, no appeals against demonstrating were broadcast over the city's loudspeaker network.

Prof Kurt Masur, conductor of Leipzig's Gewandhaus Orchestra and a reformist party member, warned Mr Egon Krenz, the East German party leader, in a radio interview that it was more important to restore confidence between citizens and the leadership than for the Party to attempt to "regain" its former power.

"The people's soul has been badly damaged by the state," he said. "It is now important that young people are not further harmed."

Nearly 700 Leipzig citizens took part in a heated discussion with party officials in the Gewandhaus concert hall on Sunday, part of Mr Krenz's campaign to contain unrest by joining a dialogue and promising travel and media reforms.

Soviet coalfield strike and Rise of Russian Nationalism, Page 4

British Airways chairman says reports of rift are 'rubbish'

By Paul Betts, Aerospace Correspondent, in London

BRITISH AIRWAYS' chairman, Lord King dismissed last night as "rubbish" reports of a serious rift between himself and Sir Colin Marshall, the UK carrier's chief executive, after the collapse of the United Airline buy-out deal.

Speaking from his London home last night, he said speculation of tensions with Sir Colin were "distasteful and hurtful to Colin." He added: "There are absolutely no tensions."

However, he said the UAL deal had collapsed and BA had decided to withdraw its participation in a new UAL buy-out bid because the US partner had failed to deliver the financing for the original $6.8 billion transaction. But he stressed BA preserved its marketing agreement with UAL which he described as "a good one" for BA.

Tensions appear to have surfaced between BA and UAL line and its banks to put together the US share of the financing. BA had already secured the necessary financing for its $750 million share of the deal which would have given the UK airline a 15 per cent stake in UAL.

With the sudden stock market uncertainty last week and when the US partners failed to secure the necessary financing, Lord King said "I found my nerve." He added: "The deal was closed. Everyone else also withdrew, and Marvin Davis (the US investor who mounted a hostile bid against UAL) pulled out."

BA's position was now to sit back and "take a quiet look at the situation", Lord King said. He also said US government reservations about foreign companies acquiring stakes in US airlines had also "changed the scene."

He said the BA board had unanimously approved the decision to participate in the UAL buyout at the end of last summer regarding it was "in the limits of commercial prudence."

However, there continued to be suggestions in London markets and the airline industry yesterday that tensions had emerged between Lord Kind and Sir Colin as a result of the collapse of the UAL deal.

Sir Colin, according to City of London and airline industry analysts, had been seeking to salvage something out of the UAL debacle in Tokyo last week until he found the ground cut from beneath his feet by Lord King's statement that the UAL deal was dead for BA.

Lord King said that Sir Colin had flown to Tokyo on a long-standing engagement and not to rescue the deal.

Sir Colin Marshall is understood to have had to argued fiercely for the UAL deal to win unanimous BA board approval the transaction.

BA's £320 million rights issue flopped yesterday after the stock markets' setback and the collapse of the United Airlines (UAL) $6.8bn buy-out.

Lex, Page 26

MARKETS

STERLING
New York closing: $1.597
London: $1.595 (1.5885)
DM1.9575 (2.9450)
FFr10.0475 (10.0075)
SFr2.5925 (2.5825)
Y227.00 (226.00)
£ index 89.7 (89.4)

GOLD
New York: Comex Dec $369.5 (370.6)
London: $368.0 (same)

N SEA OIL (Argus)
Brent 15-day $

Chief price changes yesterday: Page 27

DOLLAR
New York closing
DM1.84805
FFr6.2775
SFr1.6190
Y141.90
London:
DM1.855 (1.8540)
FFr6.30 (same)
SFr1.625 (same)
Y142.30 (142.35)
$ index 69.8 (same)
Tokyo close: 35,585.52 (+99.14)

US LUNCHTIME RATES
Fed Funds 8 13/16%
3-mo Treasury Bills: yield: 7.818%
Long Bond: 102
yield: 7.942%

STOCK INDICES
FT-SE 100: 2,189.7 (+10.6)
FT Ordinary: 1,772.6 (+11.6)
FT-A All-Share: 1,102.34 (+0.4%)
New York closing
DJ Ind. Av. 2,682.91 (−26.23)
S&P Comp 345.92 (−1.24)
Tokyo: Nikkei 35,585.52 (+99.14)

LONDON MONEY
3-month interbank: closing 15 1/8% (15 1/16)
Life long gilt future: Dec 92 3/4 (92 5/8)

MARKET REPORTS: CURRENCIES, Page 46, BONDS Page 32-33
COMMODITIES, Page 40, EQUITIES Pages 41 (London), 49 (World)

CONTENTS

West Germany faces a quiet revolution in the workforce

Until recently West Germany has remained unexpectedly sexist, but the country's female side is stirring. Even Chancellor Kohl (left) makes frequent reference to the new significance of the "woman question". Page 6

Lebanese MPs prepare to do the unthinkable

Lara Marlowe and Andrew Gowers on why they are ready to back the Arab peace charter

AFTER MORE than three weeks of brinkmanship in the faintly unreal setting of a Saudi mountain resort, 62 Lebanese parliamentary deputies will today do something that would have been unthinkable as recently as two months ago.

Barring the sort of last-minute upset for which Lebanon's politics have admittedly become notorious, they will gather in Jeddah in the company of King Fahd for a solemn ceremony to endorse an Arab League peace charter for Lebanon.

In so doing, depending on whose hyperbole you choose to believe, they will set the seal on a *"historic mission"* (*pace* Mr Kazem el-Khalil, the 88-year-old parliamentarian who has presided over the meetings) or take the first step on the road to hell (thus Gen Michel Aoun, the Christian leader who was yesterday conducting a valiant rearguard action to scupper the accord).

The accord reached in Taif, of course, is neither such a historic achievement nor a prelude to perdition. *It is*, however, the most positive development in Lebanon since the Government split into Christian and Moslem factions in September, 1988.

The deep differences among Lebanon's religious communities persist and the Arab League *has been unable to* address all the fundamental defects in Lebanon's crippled political system. Moreover, it has fudged the issue of the presence of Syrian troops in the country, *calling for them* only to redeploy in eastern Lebanon two years after the enactment of political reforms. Nonetheless, a significant first step has been taken towards restoring a united, working government.

The second step - that of a presidential election to be held in the Villa Mansour, a peach-coloured stucco mansion on Beirut's dividing green line - should follow within weeks.

Predictably enough, the Taif agreement has been greeted with something less than euphoria on both sides of the divided Lebanese capital. In Christian east Beirut, demonstrations against it and in support of Gen Aoun were reported yesterday.

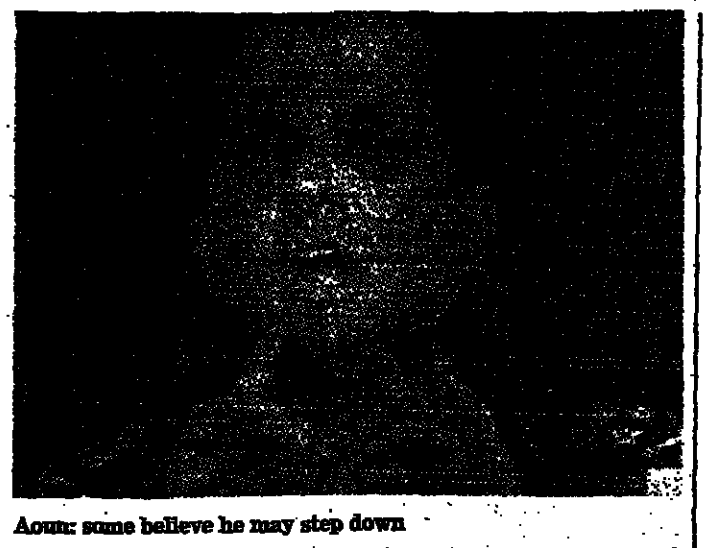
The Christian leader told a midnight press conference on Sunday that for him to accept such a compromise on Lebanese sovereignty would be a "triple crime". However, the Maronite leader said he would not fight the agreement with military means. In what may prove the beginning of a long valediction, he said he would now consult his people to gauge whether they will back him in a continued struggle. If not he would quit.

How precisely he proposes to assess his popular support remains unclear, since he would argue that both fresh parliamentary elections and a free and fair referendum are impossible while the Syrian occupation continues. Furthermore, what Gen Aoun describes as the "hell" of an accommodation with Syria holds little terror for hundreds of thousands of Lebanese who endured almost nightly artillery battles from March to September of this year.

On the Moslem side, both major Shia groupings, Amal and Hizbollah, have rejected the accord, which they say does not give them representation commensurate with their status as Lebanon's largest single religious community. And acceptance of it from Syria's ally Walid Jumblatt, the Druze leader, has been distinctly grudging.

Nonetheless a start is being made in putting Lebanon back together again. No one expects Lebanon to return to what is remembered as a pre-war paradise. The Arab League's committee chose to work with the remnants of the system bequeathed by the French in 1943, rather than impose the shock of a complete revision of the confessional system.

Because the Maronites, like all powerful minorities, feared that any concessions by them could only lead to further demands on the part of the Moslems, the Christian deputies made the talks in Taif drag on for three weeks. The final text is being referred to as the "revised text" so that the agreement will not be interpreted as a defeat for the Christian camp. Yet, only minor details of the original text have been altered.



Aoun: some believe he may step down

The Arab League plan has the advantage of almost universal support from Arab and Western governments. In particular, France and the US - both of whom General Aoun had hoped to draw into his battle - snubbed him by publicly supporting the Arab League effort. Even more important within Lebanon, the Maronite patriarch and the Christian Phalange militia have also so far sided with the peace-makers against Gen Aoun.

Ambiguity persists on the question of written guarantees, which some Christian deputies say Prince Saud al Faisal of Saudi Arabia promised to give them. Prince Saud met with President Hafez al-Assad of Syria in Damascus on Thursday and Friday. The result appears to have been some small, symbolic concessions.

In Beirut, diplomats and Lebanese politicians say they expect the present calm to last at least a few months, after which no one dares to venture a prediction. Even assuming that the process continues according to plan, numerous potential road blocks loom.

Even if President Assad eventually pulls his soldiers back to the Bekaa valley as suggested under the Arab League plan, he will certainly not withdraw them from the country altogether while Israel continues to occupy an area along Lebanon's southern border. The deputies in Taif found no difficulty in agreeing to the enforcement of United Nations security Council resolution 425, which has, for the past decade, required Israel to quit this so-called "security zone".

But that issue is, like much else besides, way beyond their control. And fighting between Israelis, Lebanese and Palestinians in the south of the country appears if anything to be inetnsifying at present, just as Beirut seems set for a reprieve.

PLO seeks to sustain US interest in peace dialogue

By Tony Walker in Cairo

THE Palestine Liberation Organisation wants to keep alive American interest in promoting a preliminary dialogue between representative Palestinians and Israel on Israeli-proposed limited autonomy elections in the occupied territories.

Mr Yasir Arafat, the PLO Chairman, reportedly conveyed that message to President Hosni Mubarak yesterday in their second meeting in less than 24 hours.

But Mr Arafat is also understood to have warned of a hardening *anti-US sentiment in* the PLO, reflecting growing disappointment over lack of progress in a Palestinian-American dialogue initiated late last year.

Mr Mohammed Abdel Moneim, Mr Mubarak's new chief spokesman, said the PLO was *"still holding* to current peace efforts," and had not rejected a five point peace plan advanced by Mr James Baker, the US Secretary of State.

The PLO leader's visit to Cairo coincided with speculation in Washington that a frustrated Mr Baker may be about to abandon his attempts to "kick-start" the peace process. Mr Baker's apparent support for the idea of involving Palestinians from *outside* the territories in the proposed preliminary discussions was *emphatically rejected* in Jerusalem. Israeli hardliners said this would be tantamount to talking to PLO.

The PLO, at a meeting of its "mini-parliament" or Central Council in Baghdad last week, attacked the passive US role in efforts to advance the peace process, but it stopped short of rejecting the Baker plan.

Palestinian leaders had been urged by, among others, Egypt not to appear to be obstructing peace efforts.

Kibbutz debt deal falls through

By Hugh Carnegy in Jerusalem

AN agreement to reschedule the bulk of a Sh6.7bn ($2.23bn) debt accumulated by Israel's kibbutz collectives, already delayed by months of wrangling between the kibbutzim, their creditors and the government, has hit another hitch just as all parties were predicting an imminent deal.

Thrashing out an accord is of critical importance to the 270 kibbutzim, still a mainstay of the Israeli economy, in their struggle to recover from a disastrous period in which a combination of heavy borrowing, rising interest rates and falling revenues from their traditional activity of agriculture plunged them into debt.

Agreement was reached in principle in February under which the state – anxious to prevent the demise of a national institution – and the commercial banks were to write off Sh1.6bn and Sh3.2 bn more was to be rescheduled over 25 years with a 10-year grace period and easy terms.

Putting this initial accord into practice has proved difficult, however. Last week the two principal movements grouping kibbutzim accused the two leading banks, Bank Hapoalim and Bank Leumi, of introducing new conditions which they said were so severe they raised doubts over continuing negotiations.

The kibbutzim, whose communal traditions have been severely jolted by the debt crisis, objected to terms providing that all creditor banks agree to the settlement and that kibbutzim assets to be sold by the banks in the event of defaults.

The banks, which have insisted that the kibbutzim must be exposed to market realities if they are to recover, said they were surprised by the sharp reaction of the kibbutzim. They said the main remaining stumbling block as far as the banks were concerned was a dispute with the tax authorities over the tax treatment of the write-offs. All sides continued to say yesterday that they were confident of reaching agreement.

Manila expected to get $1bn

By Greg Hutchinson in Manila

THE first tranche of a new money package that seems *likely to total at least $1bn* is expected to flow to the Philippines from commercial banks in late January.

"The drawdown of the new money is expected on January 29 to the tune of 60 per cent of the total new money available," said Mr Edgardo Espiritu, *president of Philippine* National Bank and a member of the country's debt *negotiating* panel, which agreed in principle on a new loan and debt buy-back deal last month with the Philippines' commercial creditors.

The exact new money will not be known until after November 10, when Manila receives *commitments from* commercial creditors. Mr Espiritu said an informal survey showed the fresh funds would total at least $1bn, mainly from the US and Japan. European banks were mostly *opting for debt reduction, but* one British bank and a German one were *taking the new* money course.

The final term sheets of the proposed agreement were sent to all 337 creditor banks last week. The banks have until November to choose between new money and debt reduction.

Mr José Fernandez, central *bank governor*, said *Manila* is prepared to buy $1.3bn of its $7.2bn medium and long-term bank debt at 50 cents on the dollar. Financing to buy back as much as $1.6bn is believed assured from the International *Monetary Fund, the World* Bank and Japan. The main *hitch* is thought likely to be timing of the drawdowns, but it is not believed to be a problem imperilling buyback arrangements from banks.

South Africa expansion for Toyota

TOYOTA South Africa Ltd said *it plans to invest about R1bn* in capital projects over the *next five years, much of it in a* plant to produce locally-manufactured engines, Reuter reports from Johannesburg.

Toyota South Africa is a locally-owned concern which makes cars under licence from *Japan's Toyota Motor Corp.*

Mr Bert Wessels, Toyota South Africa's chief executive officer, said the company would investigate the potential for exporting locally-built engines.

Bhutto faces no-confidence vote

By Christina Lamb

MS BENAZIR Bhutto, Pakistan's Premier, returns from the Commonwealth Conference this week to face a *motion of no confidence – the* most serious crisis of her 10 months in office.

Leaders of the opposition Islamic Democratic Alliance (IDA) told a press conference they had the support of 129 of the 237 members of the National Assembly, enough to defeat *Ms Bhutto's* People's Party (PPP), which has only 110 deputies. If the IDA claim is correct it has the support of two PPP deputies. Several PPP deputies have expressed dissatisfaction with their government and may have pledged support to the IDA.

The IDA said its supporters included the Mohajir Quami Movement (MQM), a Karachi-based party of Indian immigrants. The MQM, Pakistan's third largest party, has been supporting the PPP and its 14 seats *are essential to Ms* Bhutto. Relations between the two parties have long been tense.

The MQM central office refused to comment. Political analysts speculate that the move is intended to force more concessions from Ms Bhutto such as jobs *and* the release of prisoners.

The motion is expected to be tabled tomorrow and must be voted on within a week. *If Ms* Bhutto loses, the nine party IDA supported by the MQM is unlikely to form a stable government and new elections *would have to be called.*

● A curfew was imposed on three districts of Karachi yesterday after gunmen killed two policemen and a civilian. Police blamed the shooting on MQM activists.

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Hong Kong and China settle migrant dispute

By John Elliott in Hong Kong

HONG KONG and China have patched up a stormy diplomatic row over the handling of illegal immigrants. China has agreed to resume its practice of accepting back illegal immigrants who cross the border into Hong Kong.

China stopped accepting illegal immigrants on a daily basis on October 8. Since then about 1,100 of its nationals, who dodged Chinese and British army patrols, have been detained in Hong Kong. The dispute soured relations at a sensitive time following the Tiananmen Square crisis in June.

Senior Hong Kong officials hope there will be a thaw in relations. There have recently been differences over a number of issues, including decisions taken without Peking's approval to move a naval base away from the centre of the colony and to publish a bill of rights.

China has been particularly annoyed because the British and Hong Kong governments have started giving wide publicity to such decisions, apparently to try to boost confidence in the colony.

British diplomats believe the Chinese move over illegal immigrants was intended to demonstrate Peking's power to disrupt the administration of Hong Kong, which returns to its sovereignty in 1997.

Hong Kong had allowed a Chinese swimmer, Mr Yang Yang, to fly to the US instead of being repatriated when his temporary residency permit expired. China said this breached a 1982 agreement.

But there is a loophole in the agreement, which says "in principle" all illegal immigrants and over-stayers should be returned. This allows Hong Kong to let political dissidents seeking asylum elsewhere to slip through its territory. Peking usually tolerates this, but felt it had lost face because widespread publicity was given to Mr Yang's case.

A statement yesterday said the two sides had reaffirmed their understandings of 1974, 1980 and 1982 on illegal immigrants and two-way permit holders.

Computer fraud booms in China

COMPUTER fraud is booming in China, with theft of confidential information as well as money, as security systems are unable to keep pace with the growing skill of the criminals, the People's Daily said yesterday, Reuter reports from Peking.

Since the first fraud was discovered in July 1986 at an office of the People's Bank of China in Shenzhen, 15 major cases had been found, the paper said. The biggest was the theft of Yuan 870,000 ($235,000) from a bank in Chengdu in March 1988.

The number of computers has mushroomed in recent years, with 10,000 in use, as well as 30,000 miniature models, but security systems, effective management controls and regulations to govern their use have not kept up, the People's Daily said. Criminals have also stolen secrets and intelligence, it said.

● Chinese exiles worldwide plan to flood fax machines across China this week with pro-democracy appeals, the French backers of the campaign said yesterday.

Dissidents and their supporters in Europe, the US and South America will transmit the appeals on Thursday to 5,200 telefax numbers in China.

Political knives are out for 'perfidious Albion'

Roger Matthews reports on a feuding family

COMMONWEALTH SUMMIT

THERE has been a family atmosphere during the past week in Kuala Lumpur, according to Mr John Major, the British Foreign Secretary, who last night cut short his first Commonwealth summit meeting to return to London.

But the word "family" is, like much else about the Commonwealth, open to an extraordinary breadth of interpretation. At times the family on show in the past few days would not have disgraced a particularly nasty episode of Dallas.

And by the time Mr Major was preparing to pack his suitcase, the rumour-mill had provoked British officials into denying that there was a rift between him and the woman who recently gave his career such a powerful boost, Mrs Margaret Thatcher, the Prime Minister.

It was always probable that life would not be easy at the summit for the inexperienced Mr Major, while Mrs Thatcher has a well-established record of provoking fury among her Commonwealth colleagues.

As early as last Tuesday a wary Mr Major turned down a last-minute dinner invitation from Senator Gareth Evans, the Australian Foreign Minister, the suspicion being that it was an attempt to hijack the Foreign Secretary into a meeting with the African National Congress and other Ministers from southern Africa.

Australian officials expressed dismay at Mr Major's attitude and the scene was set for confrontation later in the week when the two men sat together on the committee of 10 which was charged with drafting the Commonwealth statement on South Africa.

There were repeated clashes between Senator Evans and Mr Major during the 15 hours of talks, characterised by Mr Major as typically frank exchanges between family members and by Australian officials in terms unfit for a family newspaper.

However, a formula was found and the relieved ministers sent off their draft agreement to the island of Langkawi where the Heads of Government were going to their traditional, family get-together. Mr Major, as it later emerged, was delighted to have scored what he thought was such a success on his first big outing.

The entire Commonwealth, he said, had been persuaded to shift its position on sanctions. For the first time "we have actually dragged other people in our direction in acknowledging the futility of punitive sanctions and acknowledging that progressively they must be dismantled."

It therefore must have come as a nasty shock to discover, in the words of a senior official, that Mrs Thatcher "didn't much like" the document of which he was so proud. However, in the end she decided to go along with the agreed document and actually proposed its adoption.

Other leaders smiled with relief and relaxed. They had compromised a bit and the British had agreed that existing sanctions should be maintained. It was the sort of deal politicians are familiar with. Next day Dr Mahathir, the Malaysian Premier, proudly announced the unanimous agreement on South Africa, albeit with four points where Britain dissented.

An hour later the bomb dropped. Britain issued its own separate statement which appeared to much of the the Commonwealth to contradict the communiqué which had just been signed. It was, one delegate said, Albion at its most perfidious.

At the first conference session yesterday Mr Bob Hawke, the Australian Prime Minister, and then Mr Brian Mulroney of Canada attacked Mr Thatcher's behaviour, emphasising that they had made concessions during the drafting process in order to accommodate Britain.

Later in the day President Robert Mugabe of Zimbabwe joined in accusing Mrs Thatcher of having completely reversed her position agreed in the communiqué, an act which he said was despicable and unacceptable.

Mr Major was meanwhile preparing to fly off to his other family back in Britain where, more importantly, it is the children's half term and he is due for his first question time in the Commons as Foreign Secretary. After Mr Major's many new family friends in Kuala Lumpur, it should be a doddle.

A harrassed Mrs Thatcher creating angst and irritation

UN paramilitary anti-drug force urged

By Robert Mauthner in Kuala Lumpur

THE CREATION of a United Nations paramilitary anti-drug force, which could offer assistance to governments on request, was proposed at the Commonwealth summit yesterday by Mr Michael Manley, the Jamaican Prime Minister.

Mr Manley, who said the force should be part of an international anti-drug capability within the framework of the UN system, stressed that the proposal had already received the endorsement of all the member states of the Caribbean Community (Caricom) and a number of other governments.

However, Mrs Margaret Thatcher, the British Prime Minister, expressed doubts about the prospect of the United Nations acquiring a security role, since it had always had beenessentially confined to a peace-keeping function.

Other elements of the Jamaican proposal, to be submitted to the next session of the UN General Assembly, include:

● A central intelligence-gathering operation which would collate and co-ordinate all information on drug trafficking world-wide.

● A training facility for drug law enforcement and intelligence personnel.

● A reserve pool of drug law enforcement and intelligence experts to provide short-term assistance.

● A public education and drug demand management unit.

● A body of experts to develop and implement treatment and rehabilitation programmes.

● A central source of advice for the planning and administration of crop substitution programmes.

New Delhi takes on carnival air as election gets under way

By David Housego in New Delhi

THE INDIAN general election got under way yesterday with the Congress party announcing that Prime Minister Rajiv Gandhi would stand for Amethi in Uttar Pradesh. This is the constituency he currently holds and from where his brother Sanjay Gandhi was elected in 1980 before being killed shortly afterwards in a plane crash. He will file his papers today.

Apart from key candidatures over which there is no dispute, both the Congress Party and the opposition were yesterday locked in what seems likely to be a marathon selection process which will not end until November 2, the last day for withdrawal of nominations.

The Congress parliamentary board was yesterday meeting in the Prime Minister's house in Racecourse Road – demonstrating how far the selection of candidates has slipped from the hands of the constituency organisations to the Prime Minister.

At the weekend New Delhi took on something like a carnival appearance, with aspiring candidates and their supporters arriving in large numbers to press their claims. Party offices and MP's hostels have put up large tents to help accommodate camp followers.

Outside the the hostel for MPs from Uttar Pradesh – the largest state in the union and lying on the borders of New Delhi – foodstalls have been set up to feed the large crowd of lobbyists who wait squatting on the roadside grass.

Obligatory dress for these occasions is the white homespun cloth (kadi) worn by Mahatma Gandhi.

The official notification of the elections has made clear that only five states will be holding simultaneous polls to state assemblies at the time of the general election on November 22 and 24. These are Uttar Pradesh, Karnataka and Andhra Pradesh in the south, and the small states of Goa and Sikkim.

Last week there were strong indications that all 15 states due to hold state assembly elections in March – including such large northern states as Bihar and Rajasthan – would hold simultaneous polls in late November. Prime Minister Rajiv Gandhi appears to have had second thoughts on this because of strains in his own provincial Congress parties.

The BJP, the Hindu militant party which hopes to emerge in the new Lok Sabha (parliament) as an arbiter of a split assembly, said the Government's backing away from further simultaneous polls showed the Congress Party was already "on the retreat."

Nepal counts the cost of defying Indian crocodile

David Housego on the impact of a trade dispute

There is a proverb in South Asia which says that if you live in a pond with a crocodile you should not fight him. Nepal is now counting the economic cost of defying popular wisdom by tussling with the Indian crocodile across its southern border.

The first impression of a visitor to Kathmandu is that the economy has responded with far more resilience to the conflict with India over trade and transit rights than could have been imagined six months ago.

Tourists are back in the country en masse boosting foreign exchange earnings. Exhaust fumes fill the major streets of the capital showing that even the 20 litre a week ration has not substantially cut down traffic. There are plenty of imported goods in the shops testifying to the ingenuity of smugglers in a landlocked country to get round the obstacles to official trade with or through India.

But first impressions are in this case misleading. Supplies of fuel for which Nepal totally depended on India before the conflicted erupted in March are back to 60 per cent to 70 per cent of normal. But the aviation fuel that keeps the internal tourist flights in the air has to be flown in from Bangladesh or Bangkok. Kerosene on which villagers and hills people depend for cooking and heating is in short supply – which means either a difficult winter or a further rape of the already deforested mountainsides. A halt to coal supplies – until a recent purchase from Indonesia – brought the cement and brick industries virtually to a halt. In Kathmandu itself the combination of increased transport costs, shortages and additional tariffs has pushed up prices by an estimated 30 per cent to 40 per cent compared with a year ago.

Hopes that a meeting between King Birendra and Prime Minister Rajiv Gandhi at the non-aligned summit at Belgrade in September would produce a breakthrough came to nothing. Now there is no chance of a settlement before the Indian general election in November – and it could be delayed much longer.

Behind the specific issues of trade and transit on which the two sides split in March, the nub of the dispute is the resentment of the Nepalese regime at what it considers as the country's humiliating and long standing economic and political dependence on India. "We were too dependent on India," says Mr Ganesh Thapa, the Central Bank governor. "That has allowed them to exert leverage over us."

Western donor nations which provide just under a half of Budget resources and over 70 per cent of development expenditures have been pressing Nepal to be more flexible. The Nepalese Government asked for increased foreign assistance but has been told this is not possible because aid is tied to projects.

Projects are being held up by shortages of fuel and construction materials. The Nepalese have been warned that it will be increasingly difficult for donors to make new aid commitments while there are still the uncertainties of the dispute with India. A new container transport system that the World Bank is willing to finance for example is not possible until Nepal and India have agreed on border entry points.

Donor nations believe that the long term economic cost of assuaging the regime's hurt pride will be high. Nepal, with a population of 18m, is one of the world's poorest nations with 40 per cent of the people suffering from malnutrition. Growth in real GDP slumped in the fiscal year ending July to 1. 2 per cent from a recent annual average of 5 per cent - and could turn negative this year with a real drop of over 3 per cent according to international estimates. On one calculation Nepal, with a high population growth of 2. 4 per cent a year, could face a decade of stagnation in per capita income if the trade and transit regime with India is not restored to what it was before the dispute. This would be the cost of restructuring the economy away from integration with India and from a trading system under which goods move freely across the border and almost without tariff – to a new pattern under which Nepal was treated like India's other neighbours.

Worse still, the cost of continuing friction with India could be the abandonment of long discussed joint hydro-electric projects which are Nepal's most promising source of future revenue. The largest of these is the projected \$3bn-\$5bn Karnali dam in western Nepal with a generating capacity of about 16,000MW.

Of most immediate concern to the Nepalese Government is halting the outflow of foreign exchange that the dispute with India has caused. The reserves have fallen by about \$90m since March – reducing import cover from 6-7 months to about four. The main reason for this has been that exports to India accounting for 35 per cent of exports have virtually stopped while Nepal's import bill has remained as high. The Government intends to slash spending this year by between 10 per cent and 20 per cent. With little room for manoeuvre over current spending, the axe will fall on development expenditure. Mr Thapa says the cuts will have to be drastic both to improve the balance of payments and reduce inflation that has been boosted by recent over-runs in government spending.

The Government has also to take painful decisions over whether to lay off workers at state owned corporations which are piling up losses because of shortages of raw materials or intermediate goods.

Over 5000 jute mill workers have had to be laid off because jute can no longer be imported from India. Many other state owned plants have been working at from a quarter to 50 per cent capacity.

A further source of worry is that with the slowdown in the economy banks are having trouble in recovering loans. Repayments of interest and principal are believed to have stopped on more than a third of the loans of the two main commercial banks.

If the experience of the last seven months suggests that Nepal has the resilience to hold out longer, it also suggests that it will pay a heavy price for its assertion of national sovereignty.

Work resumes at Peugeot after vote to end strike

By William Dawkins in Paris

THE WORST strike ever to hit Peugeot, the French car-maker, was drawing to an end yesterday after seven weeks and a hold-up in the production of between 55,000 and 60,000 vehicles.

Peugeot, which with Citroen is part of PSA, Europe's third largest car-maker and France's biggest private company, expects work to return to near normal this morning at its two main assembly plants at Mulhouse and Sochaux in north-east France.

Production was hardly disturbed yesterday at Mulhouse, where only a small hard core of 80 members and supporters of the Communist-led CGT union remained on strike.

Between 300 and 400 refused to start the early shift at Sochaux yesterday, but they have voted to return to work this morning. The plants employ a combined total of 35,000 people out of Peugeot's overall French workforce of 59,000.

The return to work is a victory for the management's refusal to grant the CGT's demands (with varied support from six other unions) for a FFr1,500 (£150) a month wage rise, estimated by Peugeot to be worth 30 per cent.

Mr Jacques Calvet, Peugeot's chairman, came under criticism from several French ministers for resisting calls to negotiate until the Government appointed a conciliator. But his tactics appear to have paid off.

Peugeot last week offered a rise estimated to be worth 9 per cent to the lowest paid, tailing off sharply for workers higher up the wage scale.

It consists of an increase in the minimum monthly rate from the FFr4,900 set in last year's wage package, or from FFr5,000 currently, to FFr5,400; plus a rise from 2 per cent to 2.5 per cent in the proportion of Peugeot after-tax profits for distribution as an annual bonus.

That offer was initially rejected by a CGT-led bloc. However, leaders of the more moderate CFDT and CFTC unions later recommended members to return to work in the light of the management's refusal to negotiate further.

They accepted that suggestion yesterday, as a union delegation travelled from the two plants to Peugeot's head office in Paris to sign the offer.

The dispute began as unions were negotiating the final part of a 2.7 per cent pay award made earlier this year, which they argued was inadequate reward for their part in Peugeot's remarkable profits turnround under the chairmanship of Mr Calvet over the past five years.

However, it is also a longer term sign of Peugeot workers' dissatisfaction at being paid on average 13 per cent less than their counterparts at state-owned Renault.

The dispute has come at a damaging time for Peugeot, disturbing its labour relations just as it was bringing out its new executive model, the 605, its first big attempt to challenge BMW and Daimler Benz's hold on quality car sales.

Actual production of the 605 has been hardly hit. Lost production of the 205 supermini, Peugeot's biggest selling model, accounts for just over half the shortfall, while the 405 saloon represents another quarter.

In total, Peugeot has lost roughly 4 per cent out of its planned production of 1.377m cars this year, intended to have been more than 8 per cent above 1988 output of 1.27m cars.

Group officials reckon it will make up some of that shortfall, but that in the meanwhile deliveries will be two to three weeks behind schedule.

Even before the strike, Peugeot had been losing French market share – down 7.7 points to 19.7 per cent in August – because it was unable fully to supply strong upturn in domestic demand.

For this reason, analysts are expecting Peugeot to show a disappointing performance when it publishes its results for the first half of the year, due before the end of this month.

Spain fights pressure on peseta

By Tom Burns in Madrid

SENIOR SPANISH officials are reacting angrily to what they perceive as pressure from the West German Bundesbank for depreciation of the peseta, one of the high inflation currencies in the European Monetary System.

The officials say they are determined to resist any EMS realignment as a result of an appreciated D-Mark.

"You cannot devalue against the market and, in the present circumstances, a depreciation of the peseta would go against the market trend," Professor Luis Angel Rojo, deputy governor of the Bank of Spain, said in an interview yesterday.

Warning that Spain would resist any adjustment of parities, Prof Rojo said a depreciation of the peseta would be "utterly counterproductive to the Spanish Government's stability policy."

The peseta has been the strongest currency in the European Community over the past three months and, having joined the EMS at an official parity of Pta65 to the D-Mark, has appreciated to yesterday's Pta63.78 against the West German currency.

The Government has maintained high interest rates and introduced a series of credit restrictions in an effort to cool a domestic demand that is outstripping a Spain's annual 5 per cent increase in gross domestic product.

Clearly irritated by perceived Bundesbank pressure, Prof Rojo said: "We are surprised by a series of statements that go against what the market itself feels is the correct value of the peseta."

Spanish officials argue that by revaluing, West Germany would be exporting its own inflationary problems principally to Spain and also to Italy.

The Bank of Spain believes that there is no case for a depreciation of the peseta at a time when industrial capacity, as evidenced by the high growth rate, is being stretched to its limits and when the monetary authorities are attempting to depress internal demand.

A devalued peseta would, moreover, compound inflationary pressures in Spain at a time when the year-on-year rise in the consumer price index is hovering at 7 per cent and it would, not, officials argue, noticeably narrow Spain's large trade gap.

THE RISE OF RUSSIAN NATIONALISM

Ethnic issues raise heartland tensions

By Quentin Peel, recently in Yaroslavl

IN THE great Russian city of Yaroslavl, the jewel in the Golden Ring of ecclesiastical centres around Moscow, the authorities have admitted defeat in their battle against alcoholism.

It shows on a Saturday night. In the best hotel in town, most of the customers are reeling with drink, and a handful are raring for a fight.

Life is back to where it was before perestroika, and before Mr Mikhail Gorbachev unwisely tried the path of prohibition to sober up the nation. Worse, perhaps. For in addition to drunkenness, ethnic tensions have surfaced in the Russian provinces to aggravate the bitterness with perennial shortages of foodstuffs and basic goods.

Ethnic tensions have approached fever pitch around the fringes of empire – from the Baltics to Moldavia, Georgia and Azerbaijan. Now the Russian heartland is responding in kind. A Russian backlash has begun. But will it be aggressive, chauvinist, and reactionary? Or will it reflect a spirit of national revival, seeking to replace sterile bureaucracy with grass-roots democracy and sensitivity to culture and the environment?

Both trends were in evidence this weekend when representatives from across the Russian Federation came together to found a joint Popular Front. There were sympathisers of Pamyat, the anti-Semitic movement for the preservation of national monuments, and radical campaigners for a multi-party democracy. There were reformist Communists, and rabid anti-Communists.

Two things were notable about the gathering, bringing together delegates from 37 towns and cities from Leningrad to Krasnoyarsk. One was the sheer diversity of opinion. The other was that all were prepared to unite behind a liberal platform calling for multi-party democracy, abolition of the leading role of the Communist party, an independent judiciary, and genuine power for local authorities.

The Popular Fronts cannot themselves put up candidates in the forthcoming local elections; but they can endorse them, and the programme is intended to be something like a party line without a party.

The outright nationalists were disappointed, and some tried to organise a boycott. Yet, when the vote was taken to found a joint Popular Front, the hall erupted with Russian flags of every description, from the white, blue and red Tsarist tricolour, to the St Andrew's cross of the Imperial navy, and the Russian Federation's flag, without the hammer and sickle.

Despite the apparent accord, there is still no coherence to the movement. Even the Yaroslavl Popular Front, one of the strongest in the country, is split between those prepared to work with the Communist party, and those opposed.

Mr Igor Shamshev, a people's deputy and philosophy lecturer, is leader of the former, and convinced that the outright nationalists do not enjoy a majority. "These people claim that the main thing now for Russia is national salvation – there are anti-Jewish sentiments in the patriotic trend. The idea is that Russia must save itself and that it sacrificed too many victims already in the salvation of other nationalities," he says.

In Yaroslavl this weekend the reformers won. Yet the unanswered question is whether the outright Russian nationalists may not switch allies, in the backlash against the upheaval caused by Mr Mikhail Gorbachev's perestroika, and join forces with the conservative rump of the Communist party to prevent a dissolution of the empire.

That has not happened yet, but the current temporary alliance does not look very solid.

A jubilant Hungarian youth rides a stone lion in front of Parliament in Budapest yesterday celebrating the declaration of the Hungarian Republic by President Matyas Szueroes. The hammer and sickle has been cut from the centre of the national flag he waves.

Editor defies quit order from Kremlin

By Quentin Peel in Moscow

THE editor of the Soviet Union's most popular newspaper, the mass circulation weekly Argumenti i Fakti, yesterday solemnly declared his determination to defy a Kremlin order to resign, and insisted that he would fight with his staff to keep the paper on the streets.

Mr Vladislav Starkov, who has presided over the newspaper's astonishing rise in popularity from a circulation of 20,000 in 1976 to some 25.5m today, announced his refusal to quit in an interview with the Financial Times – and denied that he was bent on confrontation with Mr Mikhail Gorbachev, the Soviet leader.

"I am following the line of Mr Gorbachev," he said. "I support his line of democratisation, socialism, improving socialism, and glasnost. But I believe that if any one element of these is lost, then it will be impossible to build the whole building.

"I think it is a very great achievement for him that he started perestroika. It is natural that on such a difficult road there are some mistakes and some difficulties. But I do not believe the Politburo is against perestroika. There is no need for confrontation."

He insisted that the newspaper would not compromise in its support for continuing reforms, and maximum glasnost (openness) in the press – in spite of an apparent apology to Mr Gorbachev in its latest issue for a popularity poll in which he failed to figure.

The weekly also published an extended interview with Mr Yegor Ligachev, the leading conservative in the Kremlin, in the same issue.

However, staff members said yesterday the weekly would follow up this week with an excerpt from the works of Alexander Solzhenitsyn.

The attempt to dismiss Mr Starkov began when Mr Gorbachev denounced irresponsible reporting in the press 10 days ago. His attack was coloured by pique at an opinion poll which implied that he was too unpopular with Argumenti i Fakti's mass readership to be mentioned in it.

Then last week it was confirmed that Mr Viktor Afanasyev, the conservative editor of Pravda, the Communist Party's flagship newspaper, was also to resign. It was seen in Moscow as a classic Gorbachev manoeuvre to balance his move against Mr Afanasyev with a simultaneous strike at the left. The only surprise was that Mr Starkov, not a leading radical, was singled out.

Members of staff confirmed yesterday that Mr Gorbachev's impression about the opinion poll was correct – he was supported by only 50 readers, against 189 who disliked him.

However, Mr Starkov confessed that the poll, based solely on readers' letters, had been a mistake.

Mr Starkov's staff have overwhelmingly elected him as their editor, and member of a nine-member work collective – a position from which the authorities may now find it difficult to evict him. The journalists are taking legal advice on their position if they go on strike in his defence.

Up to 20,000 miners in the Siberian Kuzbass coalfield staged a two-hour protest strike yesterday in defiance of a ban on such stoppages voted by the Soviet parliament this month, Reuter reports.

Tass said pit-workers in Mezhdurechensk, who began a wave of strikes which paralysed much of the Soviet coal industry in July, were protesting over broken promises.

● Reuter quoted the Soviet Oil and Gas ministry as blaming workers for a huge pipeline explosion that forced the evacuation of thousands of people near Tobolsk in Siberia.

Soviets look to West as tide of crime rises

By Jennifer Monahan in Montreal

ONE WORD dominated an important international meeting held last week in Montreal. The occasion was the first European and North-American Conference on Urban Safety and Crime Prevention. The word was crack.

"If you live in a community which in some fashion apes America, then you've got crack coming," Mr J Thomas Cochran, director of the US Conference of Mayors, told 900 delegates from 35 countries.

Co-organisers with the US mayors were the Forum of Local and Regional Authorities of Europe for Urban Security and the Federation of Canadian Municipalities.

Some European delegates questioned privately whether the American experience was really helpful. Not so Mme Catherine Lalumière, Secretary-General of the Council of Europe, which provided much of the groundwork to the conference. "What they experience now comes to us next," she said.

This is also the view of General Yuri Andreevich Tomashev, number two in the Department of the Interior of Moscow City Council, and a delegate in Montreal.

"We haven't got crack," he says. "We will have. We haven't got heroin. We're waiting. Everything you have, for good and bad, we get eventually."

The Soviet authorities are anxious that there should be no doubt about the seriousness of crime in their big cities. All categories of crime have soared in recent years, says Gen Tomashev, but violent crime is up most of all. The figures, published for the first time last year, are the worst ever.

Can the figures be trusted? Do they reflect a real increase? The General is adamant: the increase is big and it is real. No-one involved with security is in any doubt. Nor is there any disguising the situation: police who maintain the habit of "improving" their figures are liable to prosecution.

The police are not only faced with violent street crime, says Gen Tomashev, but with racketeering and trafficking on an unprecedented scale. The reason lies with perestroika itself.

Economic reform has increased shortages, theft and speculation have occupied the void. If a car cannot be obtained on the market, it is stolen instead. Another car is then stolen in order to obtain the spare parts to keep the first one running.

Computers, audio-visual equipment, any of the electronic goods widely available in the West, are in constant demand. The result is that foreigners are prime targets. Taxis are ambushed between airport and hotel, though "the gangs never kill," according to Gen Tomashev.

Criminals also control prostitution in the hotels, which bolsters rich pickings in black-market currency. Some 150 gangs have been uncovered in recent months.

While shortages are a long-standing feature of Soviet life, Gen Tomashev insists that they have been exacerbated by the economic changes. The newly-established co-operatives were intended to improve the supply of goods, but many simply redistribute state supplies, at higher prices.

Crime among young people is rising, too. Fifty-eight per cent of all crime is committed by people aged 14-29, and 10 per cent by under-18s.

Though hard drugs are not, as yet, a serious problem, solvent-sniffing is. In some urban schools there are classes where as many as half the pupils sniff glue or some other harmful product.

"Perhaps we forgot the problems of youth," says the General, "while trying to solve our major economic problems. Young people have been left on one side."

The Soviet delegation came to Montreal "to learn from your experiences." One thing they will have learnt is that youth in the West has been overlooked, too. A repeated message from the conference was that young people were organised, controlled, but not listened to. Delegates pointed out that young people were the prime victims of exploitation and crime, as well as the most frequent law-breakers.

Mayors, councillors, police, local officials, criminologists and volunteers agreed that crime prevention were far beyond the criminal justice system. Besides poverty, unemployment and poor housing, an unresponsive education system and a growing underclass created by blocked opportunities were singled out as causes.

Crime prevention required local co-ordination: the town was the appropriate framework, elected representatives the appropriate authority. National governments were called on to provide courageous leadership and adequate funding.

Denmark confirms figure spent defending crown

By Simon Holberton, Economics Staff

THE DANISH central bank yesterday confirmed that its intervention in support of the crown on October 13 was not far from the equivalent of DM3.5bn.

Asked about a report in Saturday's edition of the Financial Times that the Bundesbank had lent that amount to the central bank to defend the crown, a central bank spokeswoman declined to comment to Reuters. But she said the central bank had intervened to defend the crown against the D-Mark only on October 13.

She added that intervention could be financed either from reserves, which stood at DKr55.66bn at the end of August, or from intervention credits – loans from the other central bank whose currency was involved. "We do not comment on the way we choose to finance our intervention."

Under EMS rules it is normal when a central bank is forced to conduct obligatory interventions that it borrows the counterpart currency. The Danish central bank sold D-Marks and it is understood they were borrowed from the Bundesbank, the West German central bank, and will in due course have to be repaid.

US, Italy discuss Olivetti exports

By John Wyles in Rome

US ATTEMPTS to establish whether Olivetti, Italy's leading computer manufacturer, has violated Western restrictions on high technology exports to the Soviet Union were discussed at a meeting in Rome yesterday between Mr Gianni De Michelis, Italy's foreign minister, and Mr Reginald Batholomew, the US Undersecretary of State for Security Assistance.

According to a Foreign Ministry statement, Mr De Michelis reported on the current state of Italian inquiries and it was agreed that further details would be sought.

Both sides were agreed on the need to maintain "an appropriate control on the exports of strategically important materials."

Responding to a report in yesterday's Financial Times that the Italian government had concluded that Olivetti technicians may have been "upgrading" the company's equipment after its delivery to the Soviet Union, the company said yesterday that it had received no indication from Rome "neither official nor unofficial" that it had breached the 17-nation guidelines agreed by the Co-ordinating Committee on Multilateral Export Controls (Cocom).

Olivetti maintains that it has done nothing to violate these guidelines and that its technicians were involved only in installing the company's deliveries to the Soviet Union.

The company said it was "quite normal and open" for Olivetti technicians to install the company's equipment.

US and European press reports have suggested the Bush Administration believes that Moscow may have used Olivetti technology in developing a vertical take-off supersonic fighter, the Yak 41.

Italy's criminal law adopts Anglo-Saxon reforms

By John Wyles in Rome

THE CENTRE of gravity of Italy's complicated and overburdened criminal law procedures moves a few points to the north and west today with the introduction of far-reaching reforms specifically modelled on the Anglo-Saxon adversarial trial system.

By all accounts, the changeover is unlikely to go smoothly. The legal profession as a whole has been vociferous about the government's alleged failure to provide the additional infrastructure – from typewriters and secretaries to additional magistrates and buildings – which the new system requires.

Most judges and magistrates are demanding an amnesty to lighten the burden of the more than 3m untried cases currently pending under the old procedures.

The reforms are the most important changes so far made to procedures originally coined 60 years ago during the Fascist period. They are designed both to speed the impossibly long judicial process, and to strengthen the rights of the defendant.

In particular, certain categories of evidence can only be the basis of conviction when produced at trial, rather than, as at present, taken for granted through the report of an inquiring magistrate.

This function, the *guidice istruttore*, will disappear under the new code. At present, the inquiring magistrate is both detective and judge – the former in assembling evidence, the latter in deciding whether a case should be prosecuted in court.

From now on, the public minister (prosecutor) will put together the State's case which will be presented in the presence of the defendant and his lawyer to a "judge of the preliminary hearing", who will decide if serious cases should go to full trial. The defendant will at this stage have the right to know the evidence against him or her.

The Italian media's characterisation of the new trial proceedings has been to announce the arrival of the once-popular fictional lawyer of American television, Perry Mason, because of the introduction of cross-examination proceedings.

The state prosecutor, who hitherto has been seated on a raised dais alongside the judges, will join the defence at floor level and the main function of eliciting the facts of the case from witnesses will no longer be the judges' exclusive preserve.

The new system is said to rule out the possibility of future maxi-trials of the kind which have seen hundreds of suspected mafiosi or terrorists dealt with all together.

It also should make more remote the present practice of trial through the media, whereby it is almost always assumed that those in receipt of notices of investigation will actually be charged with an offence.

In future, such notices will be issued when a magistrate needs to interrogate a suspect, not as part of a "fishing list" drawn up at the beginning of an investigation.

Portuguese trade gap widens despite curbs

By Patrick Blum in Lisbon

PORTUGAL'S trade deficit worsened in the first seven months of this year despite government efforts to curb domestic demand and consumption. According to figures just released by the National Statistics Institute, the January to July trade deficit amounted to Esc552.2bn ($3.48bn), up more than 7 per cent on the 1988 period.

Exports experienced strong growth, rising by over 29 per cent to Esc1,127bn, but imports rose by 21 per cent to reach Esc1,679bn, thereby preventing a trade balance improvement.

In the period, the largest share of imports came from Spain (Esc249.3bn), followed by West Germany (Esc224bn), France (Esc194.5bn), Italy (Esc150.2bn) and Britain (Esc130.4bn).

Portuguese exports were strongest to France (Esc176.5bn). These results are disappointing for the government, which introduced tough credit controls in March to curb high demand, particularly for consumer goods such as cars and electronic equipment.

Greece's ailing public sector awaits the post-election knife

The patient is potentially healthy but in serious need of some major surgery, writes **Kerin Hope** in Athens

ATHENIANS WERE warned recently to tread cautiously aboard the city's buses for fear of putting a foot through a rotten floor, left unrepaired because of the state-owned transport company's lack of funds for maintenance.

The fare, unchanged for more than four years, is a flat Dr30 (11 pence), but fewer people travel by bus and the state-run banks are having to bail out the City Transport Organisation once again, together with the railways, Olympic Airways and other public corporations that seem permanently unable to make ends meet.

Greece's public sector deficit, which leaves the private sector chronically short of credit, has long given cause for concern, but this year it has reached monstrous proportions. According to Economy Ministry figures, the public sector borrowing requirement is expected to reach Dr1,930bn (£7.4bn), or almost 22 per cent of gross national product, 37 per cent more than forecast. Last year's figure was 16.3 per cent.

Mr Dimitrios Halikias, the governor of the Bank of Greece, said recently: "Our main concern is not how to finance the deficits, but that their explosive growth is eroding the foundations of the economy."

A burst of spending and hiring by the former Socialist Government of Mr Andreas Papandreou in the run-up to last June's general election and a shortfall in tax revenues are blamed for this year's rapid increase. According to the Conservatives, who formed a temporary coalition government with the Communists after the Socialists' defeat at the polls, more than 90,000 people were given jobs in the public sector in the first six months of the year.

"The state corporations aren't businesses. They're social welfare foundations," said Mr Grigorios Yiannaros, of the Left Alliance, the junior coalition partner. With another election due on November 5, political leaders are stressing that the next Government's first task will be to work out a medium-term plan to reduce the deficit to manageable proportions. But, with an eye on the voters, they are also promising to safeguard workers' incomes.

The coalition Government avoided any taking unpopular economic measures after a dispute in August about bread prices threatened to split the unprecedented left-right partnership. An index-linked wage increase of 10 per cent across the board was awarded in September, without any hesitation.

Memories of Greece's last economic crisis are still fresh: incomes declined by 11 per cent in real terms in 1986-87 under a two-year austerity programme. As a result, the external trade balance improved markedly, industry became profitable and growth turned positive. But the Socialists failed to consolidate the gains by making radical cuts in public spending.

The Conservative leader, Mr Constantine Mitsotakis, whose New Democracy party hopes to win a clear majority in Parliament this time, says that he would reduce the public sector borrowing requirement by 4 per cent in each of the next two years through spending curbs while longer-term measures would include privatisation of some state corporations.

A Conservative Government would also try to sell off some of the 28 debt-ridden companies which were nationalised during the Socialists' eight years in power in order to save some 40,000 jobs. Their debts reportedly total more than Dr300bn.

"Considering the way they've been mismanaged, it would have been cheaper to pay the workers to stay at home. Handled properly, I think they could all become profitable private concerns," said Mr George Yiannopoulos, head of the Organisation for Rehabilitating Enterprises which supervises the ailing companies' operations.

The new Government will be able to take comfort from the fact that inflation is being held to last year's 14 per cent. Growth is estimated at around 2.5 per cent, down from last year's 3.5 per cent, but still satisfactory for a turbulent election year.

The current account deficit, however, which totalled $957m last year, is rising much faster than forecast, partly because capital inflows and invisible earnings from tourism, shipping and migrants' remittances, have been held back during the months of political uncertainty.

The deficit reached $1.4bn for January to August, up from $662m for the same period last year. Pessimists say it is likely to pass the $2bn mark by the end of the year. The visible trade gap has widened to $5.6bn as importers stockpile, fearing a devaluation of the drachma after the election.

Despite the gloomy statistics, Bank of Greece officials speak of "grounds for optimism" and the mood is buoyant in the private sector. The stock market is flourishing and there is an anticipation of opportunity ahead after the constraints of Socialist rule. The black economy, estimated at anywhere between 35 and 50 per cent of GNP contributes to an air of prosperity.

"If you deal in numbers, they are appalling. But if you look around, people seem well off. And if you take the underground economy as representing about 50 per cent of GNP, the deficit is only half as bad as it seems," said Mr Stefanos Manos, a former Industry Minister and New Democracy parliamentary candidate.

EUROPEAN NEWS

W German women make presence felt at work

David Goodhart looks at a quiet revolution in one of Europe's most conservative countries

WEST GERMANY'S female side is stirring. While in matters such as welfare the country compares with the feminist Scandinavians, until recently West Germany has remained unexpectedly sexist.

An EC poll of 1987 shows West German men to be the most conservative in the EC (bar Luxembourg). The poll found that 58 per cent of men prefer their wives not to work; only two other countries, Luxembourg and Ireland, were over 50 per cent.

The number of working women has nevertheless been rising rapidly but at 39 per cent of the workforce, remains well below the OECD average. And a number of institutional obstacles - most notably rigid shop opening hours, mid-day closing of primary schools, and relatively few part-time jobs - makes it especially awkward to combine job and motherhood.

Some believe those obstacles have contributed to the country's worringly low birth-rate. "Women have gone on strike because we have made it so difficult for them to combine jobs and children," says Mrs Ursula Engelen-Kefer, vice-president of the Federal Labour Office.

Another such woman Mrs Hanna Schoepp-Schilling, head of the women's department in the Health and Family Ministry, points out that only 4 per cent of professors are women. A similar percentage are in senior management posts but many have had to abandon marriage and family to get there.

Mrs Scloepp-Schilling talks of a "lost generation of women" recalling the fact that only two out of the 14 young women with whom she passed her university entrance exam are now in full-time employment. They are the daughters of the "Truemmer Frauen" whom Hitler had kept firmly in the home but who then emerged into the rubble of 1945 to, literally, rebuild their country while their ken were still in Allied prisons or dead.

Those women were soon back in the home, but their grand-daughters will not be; or rather if they are it will be because they have made a real choice, says Mrs Schoepp-Schilling. Mrs Monica Schumer-Strucksberg, a leading West Berlin Social Democrat, says there is a radical change of attitude in her twenty year old daughter's generation - which boasts almost as many young women as men passing the university entrance exam. "They take equality of opportunity for granted," she says.

A West German woman architect directs work on a building site

The current West Berlin state Government, the first to have a majority of women, is one sign that the times really are changing, at least in the political sphere. That majority is an indirect result of the quota systems for women now operating in the Social Democrat and Green parties.

Quotas are also being applied in public service management jobs in some parts of the country and is even favoured for her own party by the Christian Democrat, Mrs Rita Sussmuth, the first woman president of the Bundestag, and the most popular politician in the country.

Chancellor and Christian Democrat leader, Mr Helmut Kohl, is astute enough not to buck the trend and makes frequent reference to the new significance of the "woman question" in his speeches; his party's last national conference in Bremen, however, saw a walk-out by leaders of the women's section in protest at lack of autonomy.

Things are also changing in the economy - more slowly than in politics but probably in the longer run to greater effect. Companies have become worried about a lack of skilled workers and managers, thanks to recent demographic trends, and are thus cherishing their women workers as never before. The increasing importance of service industries is also part of the reason that women now take three out of five new jobs.

Business magazines are crammed with articles about the rise of the woman manager, one of whom - Mrs Gertrud Hoehler - has recently caused a great stirr at Volkswagen by being appointed to the board on a Dm 500,000 annual contict to act as a free-wheeling ideas woman. Daimler-Benz, not to be outdone, has offered a 7 year job guarantee for all women employees who want to have a child and then return to work (up to 10 years if they have two children).

Germany, in other words, is catching up fast, and indeed may be over-taking other more "progressive" countries in its increasingly generous provision for over-coming the either job or child dilemma. An unlikely alliance of '68 generation women, concerned to give women more choice, and conservatives, worried about the disappearance of the "volk", has suddenly helped to give unusual political prominence to issues such as kindergarten places.

Kindergarten places have also, however, revealed the tension within that alliance. When Mrs Ursula Lehr, the Health and Family minister, recently suggested that Germany needed a few kindergarten places for the under-threes she was denounced as a destroyer of family life by many in her own party. Even Germans regard themselves as socially liberal often believe that women should stay full-time with their babies for much longer than the norm in similar countries, thanks, says Mrs Schoepp-Schilling to "a conspiracy of Freudian doctors and ideological traditionalists".

Nonetheless she is proud of the improvements this government has introduced. Currently women get six weeks paid leave before having a child and eight weeks after. That is supplemented by a child-rearing period of 15 months - soon to be raised to 18 months with the eventual aim of three years - during which time women are paid Dm 600 a month by the state (means-tested after six months), have their social security and pension contributions paid by the state, and have their job guaranteed. More money is also going to raise monthly child allowances and for schemes to reintegrate women into the workforce after children.

The old feminist demand for house-work and child-rearing to be recognised as work may thus be coming closest to realisation in conservative Germany, albeit partly to stimulate higher baby productivity. Even diplomats spouses are soon to receive special payments for "cooking for Germany".

For the Social Democrats this quiet revolution, which already seems to be bringing babies back into fashion, is not generous enough and too tilted towards keeping women in the home. They want higher child allowances, more kindergarten places, and schools to stay open in the afternoon. They also want to reform the tax-splitting system which gives substantial tax advantages to couples in which one partner is not working, even if they have no children, and is seen by the Social Democrats as a straight bribe to keep women in the home. A Social Democrat-led coalition in Bonn would certainly give an even higher priority to women's politics.

Men have accepted the quiet revolution but without enthusiasm. "German men have one of the best power situations in the world, why should they give it up?", asks Mrs Engelen-Kefer. She says women have fought for the recent achievements and points to the nurses strike earlier this year - the first since the war - as a sign of the times.

Even inside the Social Democrats or the alternative culture of the Greens males have acquiesced in the changes rather than supported them, according to Miss Martina Stadlmayer, a social affairs writer for the left-of-centre Der Spiegel magazine. "Green culture has not yet produced a new man, they are not much more willing to do housework or share in child-rearing than the others," she says.

Miss Barbara von Ow, another journalist in her late twenties, feels especially sorry for the many lonely professional women in their mid-40's who have made careers at the expense of family and marriage. "We must escape from breeding these 'one-sided' women - who sacrifice everything for either family or career - and end up equally unhappy," she says.

Mrs Schoepp-Schilling believes Germany is groping towards an even more ambitious revolution. "Emancipation in countries like the US has been about women behaving like men. Coming later we have a better chance to create freer women who remain women," she says.

High unemployment clouds optimistic economic forecast

By Haig Simonian in Frankfurt

THE THREAT of continuing high unemployment remains virtually the only cloud over an otherwise optimistic forecast for the West German economy, according to the country's five leading economic institutes in their latest economic report released yesterday.

Looking to real growth of 4 per cent this year, 0.5 percentage points above the European average, the five institutes say that growth in 1990 will only slip to 3 per cent in real terms.

However, inflation is expected to remain at a high 3 per cent by German standards. While the continued pace of economic growth is likely to be the culprit for some of the pressure on prices, the rate of real growth in private demand is likely almost to double from 2 per cent this year to 3.5 per cent in 1990 thanks to the government's tax reform, the institutes say.

However, in the their twice-yearly report, the institutes focus attention on the likely outcome of crucial wage negotiations next year, which could hold the key for Germany's economic performance beyond 1990.

Against a background of increasing pressure from I G Metall, the German engineering union, for real wage increases and a gradual move to a 35 hour week, the institutes warn that inflation could take off if pay claims rise out of hand next year.

Meanwhile, the institutes also warn of a looming skills shortage in German industry despite the continuing huge inflow of immigrants from the German Democratic Republic and other east European countries. Some 370,000 new workers would come onto the labour market next year, over half of whom would be refugees, the institutes argue.

While the German economy would still have the capacity to take on such new arrivals, unemployement is set to remain around the two million mark.

Welcoming the institutes' findings yesterday, both Mr Helmut Haussmann, the federal minister of economics, and Mr Thomas Waigel, the Finance Minister, both drew attention to the need for continued moderation in pay claims, which they argued had contributed to the recent strong pace of growth and price stability.

In particular, the ministers claimed that reduced hours would intensify the shortage of skilled workers, and in turn lower the number of jobs available throughout the labour market.

By contrast, Mr Wolfgang Roth, the economic spokesman for the opposition Social Democrats, said the institutes' stress on using the current high levels of growth to cut unemployment was entirely in line with his party's policy.

The institutes cautioned that if prices were to surge then the Bundesbank, West Germany's central bank, should refrain from raising interest rates. An interest rate hike would further weaken the West German economy at a time when a downturn was already happening, Mr Hans-Juergen Schmahl of Hamburg's HWWA institute told a news conference.

The Bundesbank this month raised its key market rates by a full percentage point to their highest level since 1982, triggering a round of interest rate rises across West Europe.

West Germany, where industry specialises in high quality engineering products, would suffer more than other countries from this latest tightening of monetary policy.

"The rise in interest rates will dampen worldwide demand for investment goods. West Germany as one of the biggest exporters of investment goods will be affected disproportionately by this development," the report said.

Income tax cuts planned for next year would stimulate domestic demand in West Germany but this would not compensate for the fall in foreign orders for the country's products.

The five research institutes are the Berlin-based DIW, Hamburg's HWWA, Ifo of Munich, the Kiel Institute and RWI of Essen.

Lower estimate of aid for earthquake

By Peter Riddell and Louise Kehoe

TOTAL Federal assistance for the northern Californian earthquake will be between $2bn and $2.5bn, the Bush administration yesterday estimated.

This is less than the total of around $8bn estimated by Congressional leaders which was yesterday being considered by House and Senate committees.

Mr Marlin Fitzwater, the White House press spokesman, said about $1bn would come from existing funds, with the rest being raised through supplemental appropriations that would increase Federal borrowing. But, since the October 15 deadline for including spending under the Gramm-Rudman deficit reduction law has passed, it will not count in the efforts to reach deficit targets and no new taxes will be required.

The San Francisco Bay area's 3m commuters, many returning to work for the first time since last Tuesday's earthquake, faced huge traffic blocks yesterday, with conditions made worse by a rain storm that caused mudslides and flooding on several roads.

Earthquake damage to the San Francisco Oakland Bay Bridge has cut off one of the arteries into San Francisco from the East Bay.

The collapse of the Nimitz freeway has severely affected traffic flow near Oakland. To the south, the major route between Santa Cruz and Silicon Valley is closed. Dozens of other streets and highways are partially blocked. Long detours are doubling the average 45-minute commuter journey.

Transit authorities are demanding that people abandon their cars and make use of a hastily expanded public transport system. Those who must drive should car pool, said the chairman of the Metropolitan Transportation Commission, Mr Rod Diridon. Riding alone in a vehicle is an "anti-social act," he declared on Sunday.

"We've got to convince people that it's not business as usual and that it won't be business as usual in some places for years," Mr Diridon said.

Backers of abortion rights find their voice

Public opinion is swinging back towards the 'pro-choice' lobby, writes Lionel Barber

A NEW confidence is surging through the abortion rights movement in the US as it senses that the public mood may at last have shifted in its favour.

Starting with street marches in major cities and a collective effort to target for defeat elected officials who are against abortion, the "pro-choice" campaigners have been seized with an activism more readily associated in recent years with the anti-abortion movement.

Under the courtship of President Reagan, the "pro-life" anti-abortionists grew as a political force to the point where there are some 3,000 groups at state level. But their strength has been accompanied by an intolerance, which ranged from sit-ins to fire-bombings of abortion clinics, which the American public now seems inclined to reject. There have been a number of recent developments:

● A special session of the Florida legislature recently blocked efforts by Mr Bob Martinez, the Republican Governor, to enact new restrictions on abortion. In Texas, Governor Bill Clements, a Republican, has ruled out a special legislative session, saying there are more pressing political issues to discuss.

● The House of Representatives broke eight consecutive years of votes banning Federal funding of abortions for poor women who are victims of rape and incest. Mr Bush, once "pro-choice" but now against abortion, vetoed the bill at the weekend but only after some protracted fence-straddling.

● Public opinion polls show a five- to ten-point shift in favour of allowing women the right to choose. Polls fail to register *intensity*, a *leading indicator* of political activism on the abortion issue, but a shift has definitely occurred.

What is striking about these developments is that they follow a Supreme Court ruling last July which many hailed as a triumph for the anti-abortion movement and a setback for the pro-choice campaigners. In the ruling, the Court gave the individual states substantial leeway to limit abortions and invited further challenges to the 1973 Roe v Wade which established a woman's right to terminate her pregnancy.

In fact, the ruling seems to have galvanised the sluggish abortion rights groups. This "silent majority" is now speaking out. The result is a general

Governor Casey of Pennsylvania is still hopeful of restricting abortion

reluctance among politicians to tamper with the *status quo*. As Mr Tom Gustafson, the Florida House Speaker, said: "People do not easily give up their rights, whether it is the freedom of the press, freedom of speech, or freedom of choice."

This proposition is about to be tested in two important gubernatorial races next month, in Virginia and New Jersey, which could confirm longer-term trends in the public mood. In Virginia, Mr Doug Wilder, a black Democrat who serves as lieutenant governor, has consciously made abortion a top issue in the campaign – a tactic which has rattled Mr Marshall Coleman, his anti-abortion Republican opponent.

Mr Wilder has turned the abortion issue into a question of whether the Government has the right to interfere in the right of individuals to choose – a clever reworking of Ronald Reagan's refrain "getting government off the backs of the people" which largely applied to the economic arena. "Wilder is trying to attract the yuppies who voted for Reagan on economic grounds but who have remained liberal in their social views," said one Democrat strategist.

In New Jersey, Mr Jim Courter, a conservative Republican, has already trimmed his views from outright opposition to abortion to something in-between. "I'm not going to impose my pro-life views on New Jersey's three and a half million women."

Yet it would be foolish to apply these trends nationwide. In Pennsylvania, for example, Mr Bob Casey, a Democrat governor who is anti-abortion, may well succeed in persuading sufficient Republicans and Democrats to enact restrictions in this heavily Catholic state. Equally, Mr Martinez's defeat in Florida may well say more about his unpopularity than about abortion itself.

Mr Haley Barbour, a Republican strategist, says the future political issue will be not whether a woman has an absolute right to have an abortion but "under what circumstances, how will it be regulated, should minors have to have the consent of their parents."

Perhaps the best indication that the tides are shifting is the discomfort felt by Mr Bush who, after appealing for "flexibility", vetoed the House bill providing Federal funds for abortion in the case of rape and incest. His veto was on narrow grounds: he believes the Federal government should only pick up the bill when the mother's life is at stake.

The Democrats, in the meantime, have had a field day accusing Mr Bush of being heartless and out of touch with the problems of poor people. Their mood is best captured by a joke going the rounds in Washington: "The Republicans are showing real interest in child welfare – right from conception to delivery."

El Salvador guerillas criticise peace talks

By Tim Coone in Managua

EL SALVADOR'S peace talks will need a higher-level delegation from the government if they are to make progress, according to a leader of the Faribundo Marti Liberation Front (FMLN), the anti-government guerilla movement.

Talks between the right-wing government of President Alfredo Cristiani and the left-wing guerillas ended in Costa Rica last week with only an agreement to continue talking next month in Caracas, Venezuela.

Commander Nidia Diaz, one of the (FMLN) guerilla leaders who participated in the FMLN delegation to the San Jose talks, said "on numerous occasions it was not clear whether the government representatives were talking for themselves or for the government."

More than half of the government delegation were neither members of the government nor the ruling ARENA party, and were simply personal representatives of President Cristiani, she said. The FMLN delegation, meanwhile, had several of its top guerilla commanders capable of making immediate decisions at the peace talks.

Commander Nidia Diaz said that in the next round of talks "If the government does not include people with decision-making power from the army, then we shall have to re-evaluate our own approach to the negotiations."

After the San Jose talks broke up, President Cristiani accused the FMLN of making "absurd" demands and claimed that the FMLN had insulted his delegates.

Commander Nidia Diaz denies this saying "There were no insults. The climate was more mature than in the earlier talks in Mexico."

She said the FMLN had arrived in San Jose with a series of fleshed-out proposals regarding judicial and constitutional reforms which could lead to a definitive ceasefire. The government, however, reiterated its stance that the ceasefire should come before talks on reform.

UN observer optimistic on Nicaragua election process

By Tim Coone in Managua

MR Elliot Richardson, personal representative of the UN Secretary-General, who is in Nicaragua to oversee the country's electoral process, has made a positive evaluation of his first fact-finding mission.

A UN electoral observation team, *ONUVEN, was established* in Nicaragua last August and will operate until just after next February's general elections. Mr Richardson said: "I am impressed by the quality of leadership of ONUVEN and by the conscientiousness and thoroughness with which it is carrying out its role. We constitute a UN presence and it is important that we are perceived to be impartial."

He said that ONUVEN has established "a good working relationship" with Nicaragua's *electoral body, the Supreme* Electoral Council (CSE).

It is the first time that the UN has ever participated in an election-monitoring role in an independent state.

Its first official report made to Mr Javier Perez de Cuellar, UN Secretary-General, last week notes that in an analysis of 103 rulings and agreements made by the CSE "does not reveal bias towards the governing party. On the contrary, the *decisions referred to show the* Council as open-minded and flexible and its decisions seem rather to benefit the opposition parties."

ONUVEN has had 27 observer teams travelling around the country observing the voter registration period of the elections and which finished last Sunday. They have visited 25 per cent of the 4,392 polling stations in the country.

ONUVEN will expand its team as the elections approach and on election day, February 25, will have some 200 observers *visiting polling stations.*

"Given a free and fair election, I would see no obstacle to the establishment of a constructive relationship between the two countries," he said.

Mexico to cut subsidies to food producing chain

By Richard Johns in Mexico City

MEXICO'S state-owned food producing and distribution chain, Compania Nacional de Substencias Populares (Conasupo), is to be restructured and slimmed down with the sale of manufacturing plants and retail outlets to workers' co-operatives, labour unions or the private sector.

The Government's objective is to slash subsidies from a level of over pesos 2,500bn (£603m at the current exchange rate) expected this year and redirect them. Last year about 45 per cent of the loss-making company's pesos 3,890bn budget was subsidised and transfers from the Ministry of Finance were exceeded only by those to the Comision Federal de Electricidad.

"The real aim is to narrow the purchase-sales gap so that subsidies can reach those who really need them," Mr Iganacio Ovalle Fernandez, director of Conasupo, said at the weekend.

Conasupo will only buy at guaranteed prices two staple commodities, maize and beans, rather than 10 as hitherto. This change will be attacked by the left-wing opposition and cause misgivings within the ranks of the ruling Institutional Revolutionary Party (PRI).

The shift of policy is related to the reform programme for the troubled agricultural sector which President Carlos Salinas de Gortari is expected to announce next month.

Conasupo is to limit its basic agricultural production activities to maize and milk.

General strategy, as outlined by Mr Ovalle, is to benefit Mexicans in real need rather than to subsidise foodstuffs for the whole population.

Argentine generals to debate future of rebel leader Seineldin

By Gary Mead in Buenos Aires

GENERAL Isidro Caceres, Argentina's army chief of staff, today meets other officers to decide the future of Colonel Mohamed Ali Seineldin, the country's most senior rebellious officer.

The meeting in Buenos Aires between Gen Caceres and generals on the army's Promotions Board is the most difficult decision for the chief of staff since he was appointed to the post by President Carlos Menem in July.

Last week Lieutenant Colonel Aldo Rico, another well-known rebel officer, was once more cashiered and expelled from the army on a decision by Gen Caceres.

Lt Col Rico led two military rebellions (in 1987 and 1988) to press home demands for a general amnesty for officers involved in the "dirty war" of the late 1970s. He was first cashiered for that insubordination but his rank was restored in order that he could stand trial.

However, none of the army rebels was brought to trial before President Menem's decision, at the beginning of October, to grant a complete pardon to all those involved.

That decision meant the formal sacking from the army of Lt Col Rico (who still has two chances of appealing against his expulsion), and potentially all other rebels.

The most awkward case concerns that of Col Seineldin, who last December brought out the self-described "national army" in its third and most serious rebellion against the Alfonsín Government.

Unlike Lt Col Rico, Col Seineldin has maintained a strict silence since then and has eschewed involvement with political issues.

Moreover, although his indiscipline was the most flagrant example of a senior military officer refusing to subordinate himself to civilian control, Col Seineldin is a personal friend of President Menem's wife, Zulema.

Sources close to both government and Col Seineldin suggest that the army, far from deciding to force his removal from the army, may in fact promote him to the rank of brigadier general before the end of the year.

It is believed that President Menem wishes to see that promotion, against the views of other senior army officers who regard Col Seineldin as having seriously breached army discipline.

US unveils plan to liberalise trade in services

By William Dullforce in Geneva

THE US yesterday unveiled its blueprint for a multilateral agreement that would liberalise the $560bn world trade in services.

Most major trading powers, including the European Community, applauded it as a serious effort to move the talks on services in the Uruguay Round towards a successful outcome. But they sharply criticised some of its detail.

Developing countries are expected to give it rough treatment because of its apparent insensitivity to their development needs.

The US draft represents the first attempt to present in legal form a General Agreement on services similar to the General Agreement on Tariffs and Trade (Gatt) which has governed trade in goods for the past 40 years.

In 30 Articles, it spells out the objectives, coverage, principles, rules and exceptions of a framework agreement that would promote the "immediate and progressive liberalisation" of trade in more than 100 services sectors.

Governments would commit themselves to observing rules on rights of establishment, cross-border trade, national treatment, non-discrimination and transparency regarding administrative regulations, aimed at "facilitating competition and reducing distortions".

But each country would operate "schedules" in which it could exclude certain sectors from the agreement, or list reservations to some of the provisions on market access and national treatment. Reservations would be regarded as temporary, although not tied to specific time limits, and would be the object of negotiation in the "progressive" liberalisation process.

Initial reaction from Third World delegates, and from some industrial nations, was that the US draft text did not provide the "appropriate flexibility" for developing countries to adjust to competition and to regulate their services that trade ministers had called for, although reference is made to these needs in the preamble of the US text.

Introducing the text in the group handling services in the Uruguay Round, Mr Richard Self, chief US negotiator on services, said the US specifically did not want an "enabling clause" similar to that legalising preferential treatment for developing countries in Gatt.

The exclusions and reservations, which can be negotiated away in the future, offered a mechanism for meeting Third World needs. Some negotiators fear the mechanism is designed rather to allow the US to exclude financial and shipping services from a final agreement.

US private business, which sees the opening of developing country markets for its services as a crucial objective in the Round, last month proposed a seven-point action programme which would make development an integral part of a services agreement.

First reactions among delegates in Geneva was that the US text does not adequately underpin this programme. Mr Jonathan Scheele, chief EC negotiator, objected to provisions which would allow governments to strike separate agreements in particular services, without needing to offer the benefits to countries not signing the agreements.

The EC tabled two papers yesterday. One, explaining the non-discrimination principle, specifically repudiated separate agreements. It stressed the importance of harmonising standards, so that governments could not use them to discriminate against foreign services purveyors.

It listed conditions which should be met by regional agreements to liberalise trade in services, such as that planned by the EC under its single market programme. In its other paper, the EC insisted labour movements concerned with services should be limited to key and skilled personnel and be of limited duration.

Free access for workers providing such services as building and tourism has been a basic demand by developing countries.

Washington to table farm trade reforms

By Nancy Dunne in Washington

THE US is expected tomorrow to table a major proposal for farm trade reform in the Uruguay Round which calls for the elimination of market access barriers within the next decade and a phasing out of export subsidies within the next five years.

Under the plan, farmers could still get government assistance. The scheme calls for the "decoupling" of government assistance from production and the elimination of all Gatt waivers and exemptions for agriculture.

The proposal has already won the endorsement of Mr Michael Duffy, the Australian Trade Minister, who was in Washington last week.

It is likely to be strongly resisted by the EC. However, American trade officials have suggested that they are willing to negotiate on the deadlines for liberalisation in the hope of avoiding a dispute capable of demolishing the work of the entire Round.

In the US, many farm groups are bound to be wary of the proposal. Sugar and dairy producers, who have quota protection, would be particularly hard-hit.

Grain farmers would also lose their subsidies under the Export Enhancement Programme which has boosted sales in the Middle East, North Africa and the Soviet Union.

Korea 'dumping' action waived

The European Community said yesterday it would take no action against dumping of polyester film by South Korean producers, in an attempt to prove the flexibility of its anti-dumping policy, Lucy Kellaway reports from Brussels.

The Commission said it had found evidence of dumping between 1984 and 1987, but European producers had not been unduly damaged. The decision comes when EC dumping policies are being scrutinised by its Far Eastern and US partners in the Uruguay Round.

Aeroflot in talks to buy 10 Airbuses

By William Dawkins in Paris

AEROFLOT, the Soviet national airline, is negotiating to buy up to 10 passenger airliners from Airbus Industrie, the European aircraft consortium, its first such purchase from the West.

Aeroflot has been negotiating to place firm orders for five A310-300 twin jet aircraft at a catalogue price of $60m each, plus options for another five, said an Airbus official yesterday.

This would be the four-nation European consortium's biggest sale to the Eastern bloc since Western Governments first gave Airbus clearance to sell aircraft there last year.

Airbus denied suggestions in the latest issue of Vosduchni Transport, a Soviet air transport journal, that the deal had been signed. Contracts of this size take up to two years to negotiate, and talks with Aeroflot had only opened "fairly recently".

The US companies Boeing and McDonnell Douglas have also been competing for the deal. CoCom, the Paris-based organisation of 16 Western states, which tries to stop the sale of militarily useful technology to the Eastern bloc, allowed Airbus to sell three A-310-300s to Interflug of East Germany in June last year.

This was on condition that they were serviced and supplied with spare parts in the West. Lufthansa, the West German airline, is now servicing Interflug's Airbuses.

The decision was followed by clearance for Boeing to sell aircraft to Poland and Romania and for Airbus to sell another two A-310-300s to CSA, the Czecholsovakian airline.

These are the first Western steps into a potentially huge market for technologically sophisticated Western aerospace companies to replace inefficient and out-of-date Eastern European airliners.

The A310-300 is a wide-bodied long range aircraft, capable of carrying up to 265 passengers, a specification which no Eastern bloc aircraft producer can meet.

It also complies with new European Community aircraft noise standards far more easily than Eastern bloc aircraft — an essential feature in any Soviet bloc airline's attempts to win valuable hard-currency-paying Western traffic.

Airbus will apply for separate CoCom clearance for this sale, which if forthcoming, is expected to impose similar conditions to the Interflug deal. The requirement to buy spares and undergo maintenance in the West suited Interflug because it is in any case too small to provide such services in-house.

But it remains to be seen how easy it will be for Aeroflot, the world's biggest airline, to follow such stringent conditions, an Airbus official warned.

Israel in talks on post-1992 links with EC

By Hugh Carnegy in Jerusalem

ISRAEL is starting to consider, somewhat late in the day, the consequences of the European Community's 1992 single market programme. The EC is its biggest trading partner.

Mr Moshe Arens, Foreign Minister, and Mr Binyamin Netanyahu, his deputy, are in Brussels today for a meeting of Israeli ambassadors to EC states and Commission officials, on the issue.

Relations have been complicated by the tendency of political issues to intrude on trade matters. Last year, an update of Israel's 1975 trade pact with the EC and a loan package were held up by the European Parliament in protest at Israeli policies in the occupied Arab territories.

Israel balked, but complied, with an EC move to allow direct shipments of Arab produce from the territories. Jerusalem has only this year decided to appoint an ambassador to the EC, relations to date being handled through the embassy to Belgium. In Israel, an inter-ministry argument on how issues raised by 1992 will be handled has yet to be resolved.

Since Israel won preferential access to EC markets in 1975, exports to the EC have risen sharply, to more than $3bn last year, or about one-third of all exports. But import flow from the EC has been about twice as big. The Israelis are worried this deficit could widen after 1992.

It is seeking more concessionary terms, with officials speaking of compatibility with European Free Trade Area countries. Israel is concerned to see it will not suffer from competitors within the EC benefiting from the disappearance of internal customs barriers. It is pressing for a tougher EC stance against the Arab trade boycott on Israel.

The EC has a list of complaints against Israeli non-tariff barriers. Community officials say Israel's refusal to accept some EC standards could rebound on it after 1992 when compatibility of standards will be important for Israeli exports to the EC.

France and US discuss Brazilian missile deal

TALKS are under way between the US and the French governments over the controversial sale of missile technology to Brazil, Ivo Dawnay reports from Rio de Janeiro. Discussions begun last week are expected to continue all this month amid reports of pressure from Washington for strict controls on launcher technology transfer.

They are taking place in the context of a battle between Hughes of the US and a French-Canadian consortium linking Matra and Spar to win a $150m contract to supply a second generation of Brazilian communications satellites. Hughes is offering equipment said to be $25m-$60m cheaper than its rival.

The proposed launcher would be supplied by McDonnell Douglas. The Matra-Spar package is accompanied by an offer to provide Viking launchers built by Arianespace, with transfer of know-how on liquid fuelled rocket propulsion.

The US has recently tried hard to improve its commercial relationship with Brazil, long dogged by disputes over protectionism and intellectual property rights. This month alone, Washington has agreed the sale of two "super-computers" to Brazil, despite Pentagon opposition, and dropped a long-standing threat of retaliation over Brazilia's ban on micro-computer imports.

But the Bush administration is said to be irritated with Paris over the missile offer, arguing that the French package conflicts with undertakings under the Missile Technology Control Regime (MTCR). This agreement signed by the leading industrial nations in 1987 seeks to restrict the transfer of technology with possible military application.

French officials have insisted no technology would be transferred without binding undertakings from the Brazilian Government that rocket know-how would be used only for peaceful means and not be sold to third countries.

The US is said to fear that Paris is using its offer to gain a commercial advantage on the satellite deal. The cheapest option for the Brazilians would be to combine the Hughes satellite with the Ariane launcher. The McDonnell Douglas launcher is understood to be incompatible with the Spar-Matra satellite. It is believed the Government will avoid a decision until presidential elections are over in December.

● Brazil is poised to launch an action against the US under the General Agreement on Tariffs and Trade over alleged use of subsidies in soya products sales. Abiove, the Brazilian vegetable oil producers' association, claims the US's Export Enhancement Programme, ostensibly aimed at the European Community, damages Brazil's unsubsidised sales to third countries.

Lockheed, Hutchison in China venture

By John Elliott in Hong Kong

A $7m (£4.3m) joint venture in China involving Lockheed of the US and Hutchison Whampoa of Hong Kong is to be launched formally in the southern city of Canton on Saturday.

The deal was agreed in May before Peking's clampdown on student protests.

Initially, the operation will be servicing China's own airline. But Hutchison and Lockheed hope to expand into contract work for other airlines from smaller Asian countries.

Lockheed Aircraft Service International, part of Lockheed Corporation, and Hutchison China Trade Holdings, part of Hutchison Whampoa, each has a 25 per cent stake in the company, Guangzhou Aircraft Maintenance Engineering.

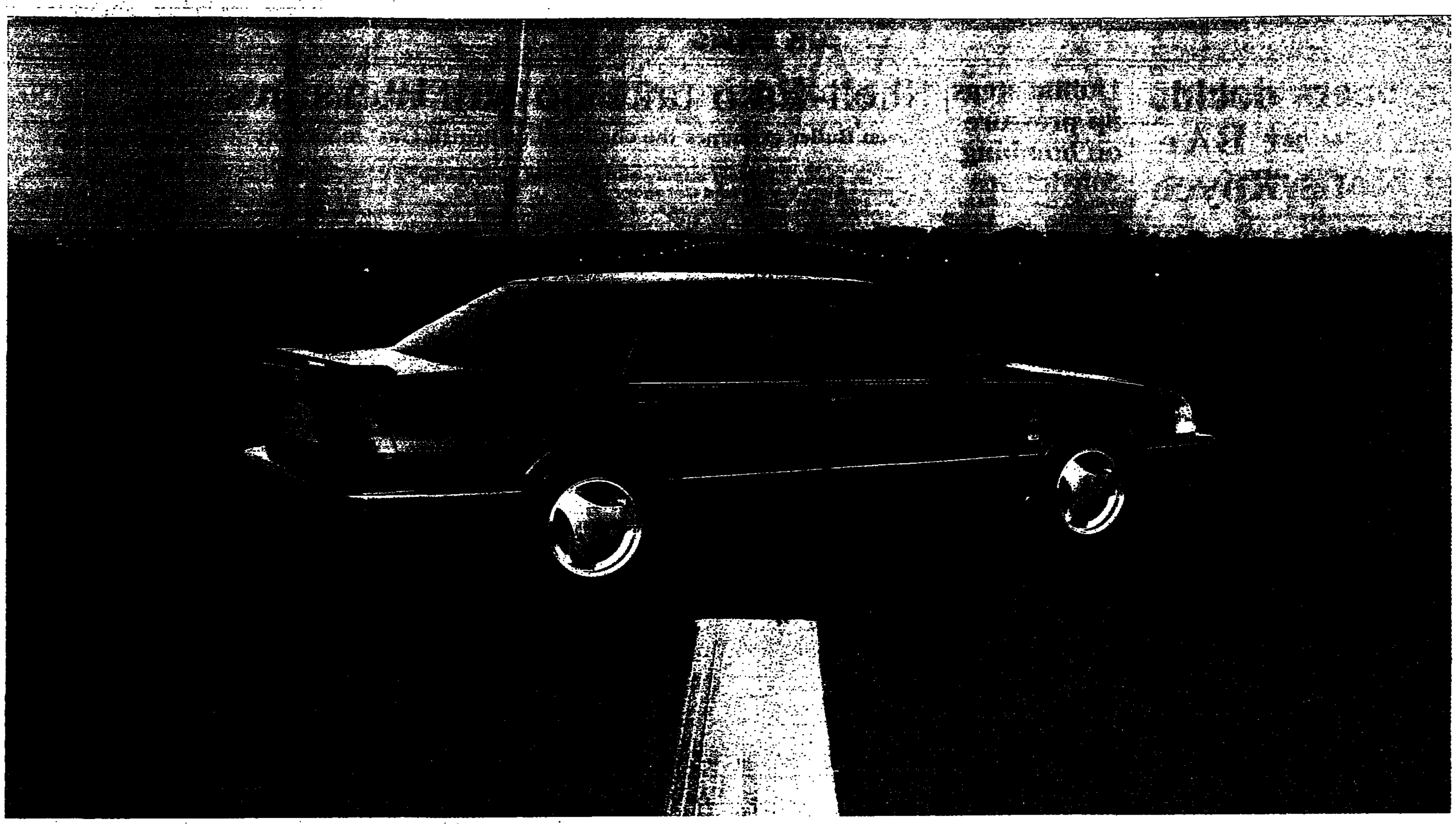
The Civil Aviation Administration of China, which is the country's main airline organisation, has a controlling 50 per cent interest.

The project is starting at a time when foreign companies involved in motor industry and other joint ventures are experiencing growing problems in China.

Hutchison had reservations about going ahead with the venture shortly after the suppression of student democracy demonstrations in Peking's Tiananmen Square in June, but it had already signed the contract which was awaiting final approval with Peking's Ministry of Foreign Economic Relations and Trade. Hutchison has carried out aviation consultancy work in China over the past few years and it also has a 16 per cent stake in Hong Kong Aircraft Engineering, which is controlled by the Swire group.

India order for UK

Davy Corporation has been awarded an order from India's Birla group to set up a plant for hot-briquetted iron north-east of Bombay, Peter Montagnon reports. Expected to cost around $170m, it will produce 750,000 tonnes a year, using Mexican technology, after completion in 1992.



MAY WE SUGGEST YOU TELL THE BOARD YOU'RE CHOOSING A FIVE-SEATER FAMILY SALOON.

So you've spent the last few months diplomatically 'losing' at golf. You've laughed at the MD's jokes (some were even funny) and you kept schtum when the Chairman's wife deliberately forgot your name.

Yesterday it paid off. Your back was patted (not stabbed) and you've just been told to invest some company money in some brand new metal.

Allow us to make a suggestion. Test drive the stunning new CD Carlsson from Saab. Of course, you'll be hooked from the moment you sit in the driving seat, but then there's a problem. People may think you're getting ideas above your already lofty station. And you didn't get where you are today by people thinking you're getting ideas above your already lofty station.

So here's what you tell the Financial Director; Firstly, the new Saab is a four door, five-seater, family saloon. Don't mention the integrated aerodynamic skirts, alloy wheels, or exclusive badging.

Secondly, inform him there is 23.8 cu. feet of luggage space in the boot, but omit there's 195 b.h.p. 16-valves, and an all new turbo-charged power unit under the bonnet.

Say that it's quite nippy, and jolly safe when overtaking.

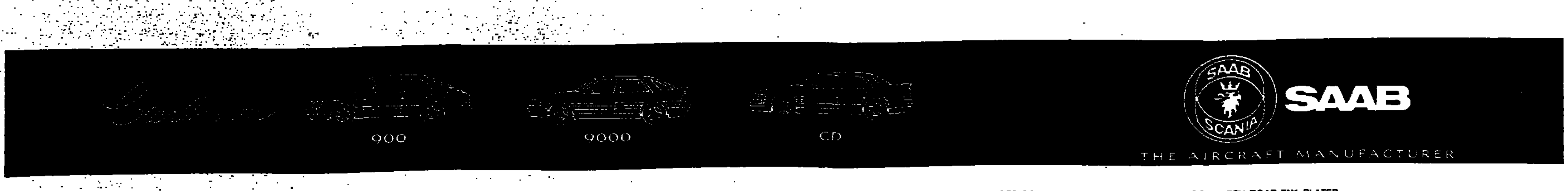
But please leave out the 0-60 in 7.5 seconds, forget that it's faster than a Ferrari Mondial from 50 to 70 m.p.h.

Oh, and mention the 38.1 m.p.g. Not the 140 m.p.h.

And finally, whatever you do, don't say the new CD was partly developed by Erik Carlsson, the legendary rally driver. Just explain that it's wholly favoured by Harry Dobson, the frugal company car manager.

If all goes well, you'll soon be driving the new Saab Carlsson CD into the company car park. Obviously, you'll be hiding it in a corner until it's time to make your move. That day, in the not-too-distant future when you 'accidentally' park it in the Chairman's space.

Or have we been addressing the Chairman all along?



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MANUFACTURER'S FUEL FIGS: URBAN CYCLE 28.7 MPG. CONSTANT 56 MPH 38.1 MPG. CONSTANT 75 MPH 32.1 MPG. FOR DETAILS 0800 626556 OR SAAB INFORMATION CENTRE. FREEPOST CV1037, STRATFORD. CONTRACT HIRE 0800 626557 EXPORT TAX-FREE SALES 01-495 1299

Engineers decide to strike at BAe and Rolls-Royce

By Michael Smith, Labour Staff

ENGINEERING UNIONS are to stage indefinite strikes at two plants owned by British Aerospace (BAe), the aircraft manufacturer and defence contractor, and at one owned by Rolls-Royce, the jet engine and luxury car manufacturer.

The strikes from next Monday were announced after the unions won strong support from manual workers in their national campaign for a shorter working week.

They said they would call off the action only if the employers negotiated a settlement during the next week.

They also plan to campaign among workers at four other engineering companies – Lucas, GKN, Weir Industries and Cattons – with the aim of organising selective strike ballots in four weeks.

The Engineering Employers' Federation (EEF), which is co-ordinating the response of its 5,000 member companies to the 35-hour week campaign, said it was difficult to see how the strikes at Rolls-Royce and British Aerospace could be avoided.

Mr Peter Ball, EEF director of operations, said: "Even with the best will in the world it is beyond me to see how a settlement could be reached within a week," he said.

The unions have selected the British Aerospace plants at Preston and Chester and the Rolls-Royce plant at Hillington, Glasgow, as their strike targets after ballots at seven manufacturing sites throughout Britain that support for an hours reduction was strongest there.

Overall, the ballots at the seven sites, employing 24,000 workers, showed that 8,805 manual workers were in favour of striking and 7,576 were against. Voting among manual workers was 7,706 in favour and 3,935 against.

There was, however, little enthusiasm among white collar workers who rejected strike action by 3,641 votes to 1,099. MSF, one of the biggest unions, did not win a majority for action among white collar members at any of the sites.

Mr Roger Lyons, assistant general secretary, said the campaign for a reduction in hours for white collar staff would continue and indicated that overtime bans may be adopted as a tactic.

The EEF said the unions had failed to win widespread support in spite of a six-month campaign. At four plants – BAe in Kingston, Rolls-Royce in Coventry, Smiths Industries in Cheltenham and NEI-Parsons in Newcastle-upon-Tyne – there were overall majorities against action.

Ambulance dispute grows as workers are suspended

By Fiona Thompson, Labour Staff

THE six-week long ambulance dispute escalated dramatically yesterday when crews in London who refused to work normally were suspended without pay and police officers were drafted in to help deal with 999 emergency calls.

Of the capital's 71 ambulance stations, 62 were closed last night, up from 45 closed earlier in the day. A meeting between London Ambulance Service management and ambulance convenors aimed at breaking the deadlock broke down after the unions refused to lift four work-to-rule restrictions.

Mr Tom Crosby, head of the London Ambulance Service, had demanded the lifting of four union bans: on workers taking radio calls; a refusal by staff to be transferred to another station; on using emergency vehicles to carry non-urgent patients; and on transporting non-urgent patients from hospitals.

The leaders of London's 2,500 ambulance staff refused and are to meet this morning to consider their next move.

Dublin steps up pressure on bombing convictions

By Kieran Cooke in Dublin

FOLLOWING last week's release of the Guildford Four, the Irish Government is in the process of stepping up pressure for a review of other cases where it feels people have been wrongly convicted of crimes related to Ireland by the British courts.

The Guildford Four, alleged IRA members jailed for a bombing campaign on the British mainland 15 years ago, were last week released after new evidence proved they had been wrongly convicted.

Mr Charles Haughey, the Irish Prime Minister, has said that the Guildford case had proved "that the system of justice can go completely wrong and be completely subverted".

"These dramatic revelations in relation to the Guildford Four mean the whole situation must be totally reviewed from the bottom up," said Mr Haughey.

The Irish Prime Minister said that in particular the case of the Birmingham Six should be urgently reviewed.

The six: William Power, Hugh Callaghan, John Walker, Patrick Hill, Gerald Hunter and Noel McIlkenny were given 21 life sentences each, one for each of the victims killed by the IRA in the 1974 Birmingham pub bombings.

The six were convicted on their own confessions and scientific evidence which has been called into question.

It is believed the Irish Government is now preparing a fresh submission on the Birmingham Six case to be handed to Mr Douglas Hurd, the British Home Secretary.

The submission will argue there are marked similarities between the convictions in the Guildford and Birmingham cases and after last week's events, the Birmingham case must be re-examined.

Mr Gerry Collins, the Irish Minister for Foreign Affairs, will shortly be contacting Mr Hurd on the Birmingham six case.

In September Mr Collins had a meeting with Mr Hurd at which it's believed the Irish Government's concern about the Birmingham Six convictions was strongly expressed.

Shell-Esso take no half measures

Steven Butler examines the challenge to British Gas' monopoly

Complaints from industry about British Gas's prices and terms of contract have grown louder since it was privatised in late 1986. Dissatisfied customers may now be offered an alternative.

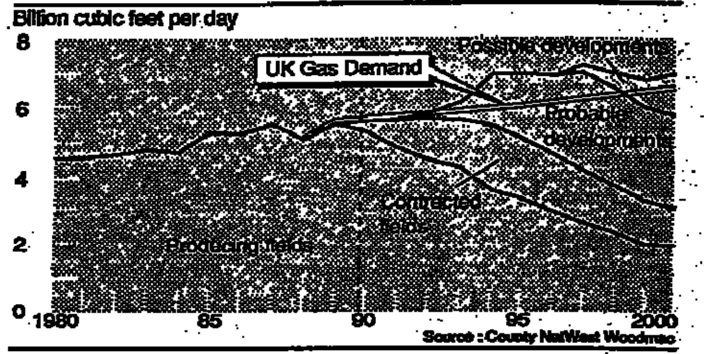
Objections to the information demanded before signing a supply contract and complaints about discriminatory prices led to British Gas being referred to the Monopolies and Mergers Commission in 1987. The commission recommended that British Gas publish non-negotiable price schedules and be barred from buying all the North Sea's gas output, as it had always previously done.

The aim was to stimulate a fully competitive industrial gas market by letting potential competitors know the going prices and by making supplies available. Until yesterday it remained unclear whether North Sea producers would merely comply with the letter of the requirement that they sell at least 10 per cent of their gas to other than British Gas, or whether they would plunge into the market to build up volume to the extent the business warranted.

With the launch yesterday of Quadrant Gas, a joint venture between Shell and Esso it is clear that Britain's biggest oil producer – the 50/50 production venture the two companies operate in the North Sea – has decided against half measures. It is also clear British Gas has a serious competitor, with access to immediate gas supplies.

The monopolies commission recommended last year that British Gas be restricted to buying 90 per cent of the output of new fields, but the Government modified this to allow an average procurement of 90 per cent over two years, with the further proviso that this must not result merely in a few large contracts to power plants or other big users. The government wanted head-on competition with British Gas across the range of the business. It now appears almost certain to get that.

Gas Supply and Demand Balance by Field Category



Source: County NatWest Woodmac

In addition to Quadrant, Agas, which is owned by Associated Heat Services of the UK and Hadson, a US gas supplier, has made progress. Mr Bill Withycombe, its deputy chairman, said yesterday it had signed provisional contracts amounting to 200m therms a year, roughly 2½ per cent of the industrial and commercial market. Agas is still negotiating gas supplies with North Sea producers and expects to reach agreement within months.

A dispute between Agas and British Gas earlier this year over the terms of gas transport and back-up supplies led to intervention by the the Office of Gas Supply, the industry's watchdog, which has published principles under which such terms are to be agreed. British Gas has published indicative tariff rates.

Agas now has 400 applications lodged with British Gas for gas transportation and expects agreement within days. It hopes to begin deliveries early next year.

Mr Fra Cooke, Quadrant managing director, says Quadrant will at first concentrate marketing in Scotland and northern England where pipeline tariff costs are likely to be lower since gas will be landed at St Fergus, Aberdeenshire. The joint venture intends to market nationally and eventually to supply interruptible gas contracts to the full range of industrial and commercial users.

Mr Cooke expects customers to be attracted from British Gas by lower prices and more flexible contract terms. As a result of the monopoly commission's findings, British Gas can offer industrial consumers only standardised contracts and some have complained loudly about the terms

Last week British Gas modified its contract terms. Among other things, it eliminated minimum mandatory interruption periods for customers on interruptible contracts, extended provisions for aggregation of gas contracts at multiple premises to achieve reduced rates and smoothed out the gradation between volume/price bands to eliminate incentives to waste gas to get a lower price.

British Gas has had repeatedly to defend itself against accusations that it charged a monopoly price for its product higher than continental European prices. British Gas argued that international comparisons are almost impossible to make because of exchange rate movements, price indexing differences, and alternate energy prices in each market.

The only constraint on competition is likely to be the relative scarcity of supplies. Quadrant has some immediate supplies from within the Shell/Esso system, but may have to wait several years for significantly greater volumes of production to become available from new fields. It intends to rely on the Shell/Esso joint venture for the bulk of supplies,

Recent exploration success in the North Sea has left a long queue of possible development projects, and operators are keen to bring developments on stream as quickly as possible. With a potential abundance of supply in a few years, and the prospect of competition among suppliers, the 1990s looks more and more like a buyers market

Ridley attacks US investment restrictions

By Ralph Atkins

ATTEMPTS TO restrict investment by foreigners in the US were attacked yesterday by Mr Nicholas Ridley, trade and industry secretary.

Overseas companies – including those from the UK – investing in the US face more than a verbal assault, Mr Ridley said. Legislative proposals have been put forward targeted at foreign investment.

He stressed the "enduring closeness" of economic relations between the two countries and encouraged further investment in the UK by US companies. Each country is the other's largest single investor.

Speaking to the American Chamber of Commerce in London, he warned: "The international economy must not be hampered by damaging contraints on foreign investment."

Mr Ridley said the UK had strong backing from the US administration in trying to stop Congress inhibiting foreign investment. He highlighted three measures that had been proposed:

- The "Bryant" bill. This had failed to be adopted this year but would have required foreign companies to detail US investments.
- The "Markey" bill to prevent foreign ownership of cable TV.
- Proposals in the tax bill currently before Congress, including the imposition of "burdensome" reporting requirements on foreign companies.

Mr Ridley said: "Countries with restrictive regimes for inward investment invariably have worse economic performance that those with open regimes."

In Brief

Shipping insurance premiums likely to rise

THE UK Protection and Indemnity Club, which insures a quarter of the world's shipping, said yesterday its premiums would rise by 50 per cent because of a sharp rise in claims over the last two years,

It blamed the increased liabilities on the rise in business in the world shipping industry, which had brought into service badly maintained ships with inexperienced crews, worsened by disasters such as the oil spill from the Exxon Valdez in Alaska.

US-Ulster plant

Data-Design Laboratories, US electronics group, is to create 150 jobs in the next three years with a £8.5m Northern Ireland plant backed by the province's Industrial Development Board.

Stansted link

Contractors for British Rail completed the first stage of tunnelling and track-laying work on a £50m line which will link London with the new £400m terminal at Stansted Airport, north east of London.

Scapa investment

Scapa Group, engineered fabrics and industrial materials maker, has announced a five-year £12m investment at its Perseverance Mills, its Lancashire subsidiary with plants in Padiham and Blackburn, creating 30 jobs.

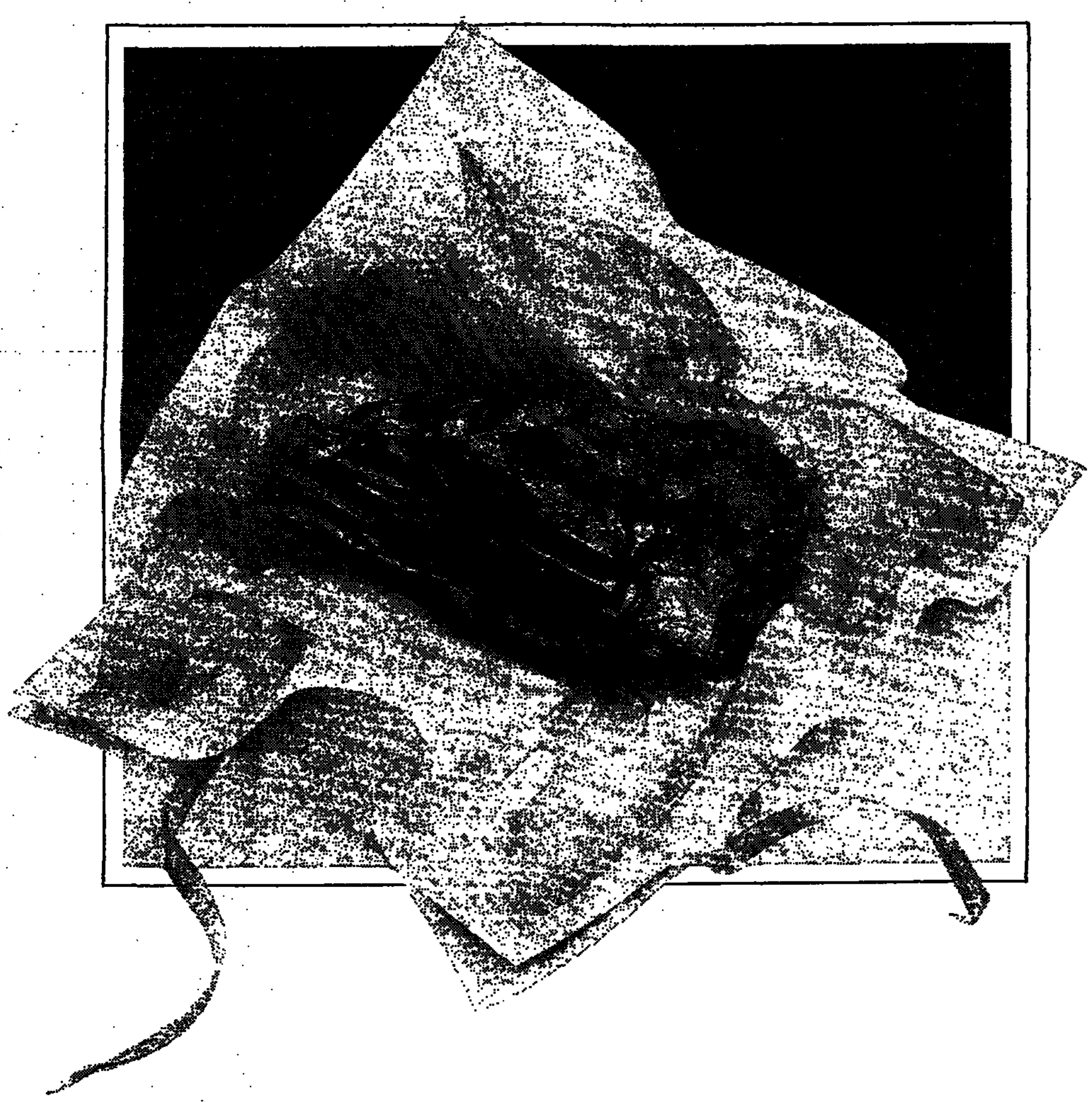
ABB contract

Lakeland power, a company led by Asea-Brown Boveri, Swedish-Swiss power plant group, has landed the first long-term contract to supply electricity after the restructuring of the UK power, to supply 7 per cent of the electricity needs of the North West Electricity Board over 15 years.

Exchange merge

THE Stock Exchange is shortly expected to announce a merger between the Unlisted Securities Market (USM) and the Third Market to comply with new EC regulations.

LOOK WHAT CALEDONIAN PAPER HAVE JUST UNWRAPPED.



Caledonian Paper have recently taken the wraps off their new mill at Irvine in Scotland.

It's one of the most efficient and technically advanced in Europe.

The production line alone is a quarter of a mile long. The entire operation is a textbook example of computerised control. And environmental considerations have been taken into consideration.

So what's the fuel behind this application of high-tech capability? British coal.

Caledonian Paper examined all the options (including internationally traded coal). They considered economy and reliability as well as the environment.

They opted for the very latest coal-burning technology.

An Ahlstrom Pyroflow circulating fluidised combustion system that's capable of burning lower grade coal efficiently and can eliminate 90% of sulphur emissions.

What's more British Coal could promise consistent quality, consistent supply and long-term contracts with predictable prices far into the future.

No wonder they had Caledonian Paper's requirements all wrapped up.

WAKE UP TO THE NEW AGE OF

British COAL

UK NEWS

Woolwich breaks ranks with loan rate at 14.25%

By David Barchard

THE WOOLWICH building society, Britain's third largest home loans and savings institution, yesterday broke ranks with other societies and announced a new mortgage rate undercutting the one set by Halifax two weeks ago.

The new rate is to be 14.25, or 0.25 percentage points below the rate set by the Halifax in the wake of the latest increase in banks' base rate.

There was some speculation at the time that other building societies might set their own rates higher than those of Halifax whose rate has been the standard for the industry in recent years.

Woolwich's move may spark off a price war between building societies and has certainly made life much harder for *those large building societies* contemplating raising their mortgage rates to levels above *those of Halifax.*

Mr Donald Kirkham, chief executive, said yesterday Woolwich *had decided to narrow* the margin between its lending and savings rates. The society is raising its rates to depositors by 0.75 percentage points in line with the industry as a whole.

"We shall shortly be announcing substantial profits for the financial year ended 30 September." Mr Kirkham said. "We feel that Woolwich borrowers should benefit from the lowest possible rate at a time when family budgets are under severe pressure."

In an unmistakeable reference to Abbey National's decision to shed mutual status and float on the stock market this year, Mr Kirkham said "The Woolwich, as a building society, as opposed to a PLC, aims to optimise rather than maximise its profits after providing very competitive rates for borrowers and savers."

● Building Societies attracted £818m from *individual* savers in in September, an increase of £200m on August and the *fourth highest figure this year,* the Building Societies Association announced yesterday.

Net mortgage advances, actual lending minus repayment of loans, were the highest this year *at £2.28bn.*

GA beats a path to the door of the homeowner

By Eric Short

GA LIFE, the life assurance and financial services arm of the General Accident Group, is setting up a direct sales team for selling life assurance and other financial services to its estate agency customers.

The new sales force, which will be renumerated on basic salary plus commission, will work in close liaison with GA's estate agency operation – General Accident Property Services – giving financial advice on such financial matters as investments, pensions, inheritance tax and dependent protection to customers who already have a mortgage-related life policy with GA Life.

The estate agency staff are authorised *to advise on* mortgage-related life products.

General Accident has always *envisaged that its estate* agency network would, in due course, become an additional distribution outlet for all its personal insurance, both life and general insurance, and its investment products.

For the present at least, General Accident does not intend existing staff at the estate agency office should become in-depth financial services experts and be directly involved in market the whole range of services.

The proposed direct sales force will be trained to cover the whole investment field. The estate agency office will provide a client list for the salesman, who, once the house transaction has been completed, will follow up by letter as to whether the client is interested in other products.

If the client is interested, an interview will be arranged *either at the estate agency* office or at the client's home.

GA Life is planning to recruit 200 salesmen and is currently involved in regional recruitment.

The new sales operation is being introduced in phases, starting in Scotland and other regions next year.

Severn tidal barrage to create up to 30,000 jobs

By Maurice Samuelson

THE proposed £8.2m electricity-generating barrage across the Severn *estuary,* south west England, would create between 10,000 and 30,000 jobs *in the area but would need* an injection of public funds, according to the consortium behind the latest plan.

The Severn Tidal Power Group, a consortium of six leading engineering companies, said it hoped to be able to start work in about eight years. But Sir Frank Gibb, chairman of consortium member Taylor Woodrow, commenting *on the latest study of the* project, said that as one of the country's biggest ever capital *projects it could not be* financed solely from private funds.

He said there would be "a better chance" of public funding under a future Labour government than *under the* Tories. He also expected financial support from the European Community.

Regardless of the Government of the day, he believed it should receive public backing because of its benefit to the environment and its long-term *economic advantages.*

City anchormen show off their assets to the viewers

Rachel Johnson examines analysts as seen on TV

Screenplay: City trader watches for action

AS THE City of London gears up to the good or bad news in today's monthly trade figures, part of the preparation for London's financial institutions is to brace themselves to face the Press.

At the slightest tremor in the markets, banks and securities houses are expected to open their doors to the media. The dilemma is while the financial institutions are generally eager for publicity, what they say can be extremely sensitive.

Television crews like to film deep in the City to try to explain the latest crisis to the share-owning public. In its turn, the City has been adept at making capital out of media interest, and camera crews are a common sight on the trading floors. The institutions are equally keen to project the right image and they have strict rules about who is allowed to say what.

The image is familiar: the analyst – who holds forth from the trading floor rather like a top station's anchorman – speaks to camera about upheavals in the equity markets, or the impact of the latest trade figures on sterling.

In the background, traders and dealers are doing their stuff – shouting across the trading floor, or into two telephones at once, while keeping eyes on banks of screens.

It gives a strong impression that City life consists of high-level economic analysis by the resident "global strategists" relieved by frantic transacting during a stock market panic.

Movies such as Wall Street and Capital City, the new TV soap series, perpetuate the high-octane portrayal of City life. The financial institutions know this portrayal sells too, and some, such as securities houses Barclays de Zoete Wedd and UBS Phillips and Drew, are known for welcoming in camera crews.

But journalists still have a hard time penetrating the City, and when it really matters – when the markets are in tumult or when sensitive operations are underway – they are asked to leave.

Ms Deborah Arnott, who worked on The Square Mile (The independent TV series describing London's central financial district), says the financial institutions are nervous of journalists.

"Film crews are always in a hurry, while journalists want the nuts and bolts," she said. Television producers, she claims, know "words and images tend to fight each other – so the news is written to the pictures of the bank."

Journalists, and other visitors, are screened before being allowed onto the trading floor. Salomon Brothers, the US securities house, seeks to protect its clients and to give a good impression of bankers' due diligence. Visitors from rival institutions are vetted lest vital information is revealed. Clients' names are shouted across the floor in code.

Institutions have developed rules to prevent journalists prying too far. Most of their employees are forbidden to speak to journalists. If they do, it is strictly unattributable.

Miss Joanna Lancaster, a seller of international equities at securities house Kleinwort Benson, says "the whole thing is to do with compliance rules and who one is allowed to talk to."

She adds, however: "There is a double standard. Banks want publicity for their involvement in a big trade, for example. But they never want to give the inside story, or what is lost on a transaction or mistakes."

Ms Lisa Spiro, head of public relations at Salomon's, explains it in different terms. If traders and salesmen gave "on the record" opinions, accuracy and the bank's reputation could be set at risk.

"Let's say a dealer is asked how the market is today. If nothing much has happened for a few minutes, he could well say the market's dead."

For traders, a second's blip on a screen represents the present, while "the future is the next five minutes and certainly not the stuff of economic predictions." So in most banks, the operators who make money are nameless. Economists and analysts are hired to do the talking.

A salesman of Japanese equities at Warburg Securities, Mr Nicholas Straker, says that when members of the press, rather than investors, ring up, the calls are passed around the office.

"Only the divisional directors are allowed to talk to the press and be quoted by name." And Warburg's is also unusual for its attitude to television crews. It refuses them entry during crises to prevent the bank's name being associated with disaster.

These rules are founded on the instinctive caution of the financial institutions. Those working with large amounts of other peoples' money do not wish to say anything which might mar relationships with their investors.

The analysts give the "house view" and represent their firm instead. There are about 3,000 working in London alone, and the service they provide has come in for some recent criticism. Extel, the financial information company, surveyed fund managers recently and four fifths said the quality of analysts' research was getting worse.

When the researchers for Capital City came to Salomon's in pursuit of the city slicker image for its new series, Salomon's was in a fix. It was happy to show off the trading floor, which is considered among the most advanced for its soundproofed, airy layout, but Salomon's did not have the Porsche-driving, hard-drinking dealer the series was after.

Mr Mark Watson, a Eurobond salesman, was ordered to fit the "media image" of a City salesman. He put on braces and a striped shirt and, for one exhausting week, took the researchers on a hectic round of City nightspots.

For the real City, putting their economists in the forefront of operations generally works well. It means promotion for the finance houses and interviews for the news media.

Mr Peter Thompson's predictions of stock market crashes reflect glory on Barclays de Zoete Wedd; Mr Roger Bootle does it for securities house Midland Montagu, Mr Ian Harwood for Warburg, Mr Gavyn Davies at US merchant bank Goldman Sachs. The problems come when the analyst who carries clout on his own takes it elsewhere. Miss Lancaster at Kleinworts says: "Then the bank is left like a football team without its star player."

Plutonium fuel plan

By David Fishlock, Science Editor

BRITISH Nuclear Fuels, the state-owned nuclear fuel services group, plans a big investment in plutonium fuel manufacturing in the 1990s to strengthen its place in an expanding world market in light water reactor fuels.

The group has approved a budget of £10m for a fuel development programme at Sellafield, on the north west coast of England, which includes pilot manufacture of up to 5 tonnes of plutonium fuel a year from spent reactor fuel.

BNFL plans to invest several hundred million pounds in a factory capable of making 50-100 tonnes of the fuel a year.

Plutonium fuel, known as mixed-oxide (MOX) fuel, is a mixture of uranium and plutonium oxides in which the plutonium replaces some of the enriched uranium otherwise necessary for fission. "If we're in the nuclear fuel business, we've got to be in MOX," said Mr Neville Chamberlain, BNFL chief executive.

He hoped that spent fuel reprocessing contracts worth an estimated £1.5bn which BNF is negotiating with West German electricity companies would help open a German market for MOX fuels.

The new factory is planned for Sellafield rather than at the group's present fuel factory at Springfields near Preston, also in the north west, to minimise transport of plutonium.

Plutonium is more radioactive than uranium, and a MOX factory is expected to cost at least twice its equivalent for uranium because of containment costs.

Amoco swaps oil assets with Ultramar

AMOCO, US oil group, announced a swap of UK oil assets with Ultramar Exploration, UK independent oil group, writes Maurice Samuelson. Amoco raised its interest in the Everest field in the Central North Sea by acquiring Ultamar Exploration's 4.25 per cent share in block 22/14a, one of the three blocks in which the field is sited.

It also acquired Ultramar's 8.5 per cent stake in block 210/15a, near Amoco's and Clyde Petroleum's 210/20 block awarded in the tenth offshore licensing round.

Amoco has assigned to Ultramar its 50 per cent interest in the onshore Stockbridge oilfield in Hampshire. Ultramar now owns 100 per cent of the field.

Setting out to manufacture

To make or not to make – that is the question

Whether it is better to adopt the 'do-it-yourself' approach or to contract out is the dilemma pondered by Charles Batchelor in the first of a series

For a former marketing manager with no direct experience of manufacturing David Vint has come a long way over the past year. Vint Industries, the company he set up to make an innovative oil-filled hot "water" bottle called the Huggie, now employs 18 people and has plans to produce 30,000 bottles this year.

The Huggie is a permanently sealed rubber bottle filled with a liquid wax oil. It is heated by being plugged in to an electric socket for ten minutes before use. Vint says he devised the Huggie to avoid the dangers associated with conventional water-filled bottles and with electric blankets.

Vint buys in some of the electrical components for the bottle but he produces his own rubber mouldings and plastic extrusions as well as carrying out the final assembly and testing at the company's 6,000 square foot factory in Crickhowell, south Wales.

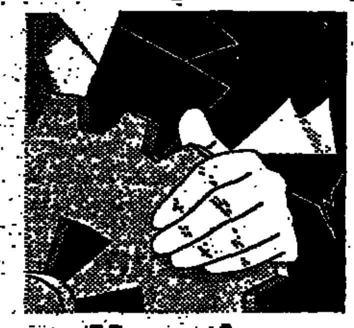
In the first few months of operation Vint had to cope with the costly failure of a couple of pumps on the rubber presses. He also had to change from a natural rubber recommended by Malaysian experts which proved to be unsatisfactory to a synthetic rubber more suited to his requirements. At the same time Vint and his son James had to master the production processes needed to make the bottles and train the fast-expanding workforce.

Vint had not intended to go into manufacturing on such a large scale – the rubber moulding was initially subcontracted out – but the subcontractors proved "inordinately expensive" and the company decided to do the work itself to bring costs down.

Vint's decision to manufacture his own invention makes him unusual for a start-up entrepreneur. Many inventors prefer to licence their ideas for others to develop and make. Even those who want to develop their own business usually start by concentrating on design and marketing, leaving the manufacturing to subcontractors.

"I have no experience but it wasn't as difficult as it looked," says Vint. "We learned by trial and error." He was also able to call on the expertise of a management consultant specialised in manufacturing and on the skills of his workforce, many of whom had a background in industry.

"Most of the companies I see have not gone in for traditional manufacturing," says Alastair Fraser, the consultant who



Managing production

advised Vint Industries. "A small business cannot start up overnight with 100 employees. It cannot train them or get the infrastructure. Most companies evolve."

Paul Burns, professor of small business development at Cranfield School of Management, says he advises entrepreneurs on the school's business start-up courses to keep their businesses simple and to subcontract as much as possible.

"The typical person starting a business is loath to give up (control of) the product because that is what he loves doing," Burns notes. "But the businessman who has 100 things to consider should concentrate his efforts on the half-dozen key elements, such as marketing, which will determine the success or failure of the business."

At most, Burns suggests, the start-up company should become involved in assembling the finished product because this allows it to control quality.

Going straight into manufacturing a product can also place great strains on the financial resources of the young business. "The funding agencies aren't ready to take the risks," says Fraser. "But by sub-contracting out the manufacture the businessman can generate a history of success which allows him to borrow funds."

"Manufacturing is a capital-intensive business and money

David Vint: found subcontractors "inordinately expensive"

is the one thing that start-ups are short of," comments Burns.

Vint Industries raised £250,000 to finance its move into manufacturing, starting with a £25,000 investment from Seed Capital, a small venture capital fund which backs very early stage projects.

Lucius Cary, the manager of Seed Capital and now also chairman of Vint Industries, says he is not averse to backing manufacturing businesses provided they can reach break-even point without spending too much money. In Vint's case he also believes the Huggie has the potential to take a large share of the hot water bottle market.

Venture capitalists have been burned in the past by investments in high technology businesses and many are now reluctant to back this sort of proposal. But if the start-up involves established processes in an established industry it would stand a good chance of getting backing, says David Thorp, in charge of start-ups at 3i, the largest UK venture capital group.

The venture capitalist would also be looking at the calibre of the management team and the scale of the investment required, however. If the start-up was planning to challenge large, established manufacturers in the same field it would be unlikely to get backing, comments Thorp.

It was the complexities involved in manufacturing which persuaded John Wakeman and Andrew Grant to concentrate on marketing the Tuffnut nutcracker which they had invented rather than make it themselves. The two men did, however, spend £30,000 on tooling to produce the moulds for the nutcracker, which incorporates a spring to prevent the nut from shattering.

If the subcontractor had made the tooling for them he could have demanded a share in profits, says Wakeman. Financing their own tooling also made it easier for their company, Wakeman Grant, to find a subcontractor and meant they had to divulge less information about their product to outsiders.

The drawback of having their own mould tooling made was that they were unable to get orders without a prototype, thus delaying the product launch. It was therefore late for the 1988 Christmas build-up of sales. They nevertheless plan to have a stake in the manufacture of the tooling for their second product though this time round the costs will be shared with the subcontractor.

Despite the slow start, Wakeman Grant, which is based in Fareham, Hampshire, expects to achieve turnover of £250,000 in its first year.

Some businesses have no choice but to go into manufacturing from scratch. Centrola, which employs seven people making components for weapons and military vehicles, could only meet Nato quality standards by doing most of the work itself.

The company started up in 1985 with just £16,000 and had to make do with second-hand equipment, though it has since moved on to acquire computer-controlled machine tools. "We were far too small and have had to struggle," says Derek Parker, the managing director. The company, which is based near Newport in south Wales, now makes sales of £260,000 but, according to Parker, is still undercapitalised and still chases every grant that is available.

But whichever way a company tackles the manufacturing issue it still faces the problem of dealing with outside suppliers or sub-contractors.

Centrola, for example, is unable to do its own heat treatment work so has to farm this out to subcontractors. Parker admits he has not been satisfied with the service he gets and his customers, which have sophisticated testing equipment of their own, have on occasion picked up faults. Parker now uses a wide range of different subcontractors for heat treatment work but still wishes he could afford to do the job himself.

Small manufacturers often find it difficult to persuade large suppliers to take them seriously. Fiox is an eight-month old company based in Port Talbot, south Wales, making fibre optic materials and components. It was only by placing an order for its raw material from a West German glass manufacturer that Fiox was able to convince Pilkington, the British glass-maker, that it was a serious customer, says Frank Burrow, marketing director. Fiox does not expect to make significant sales in its first year but it is budgeting for turnover of £2.2m in 1990.

David Vint, too, complains about a lack of interest on the part of component suppliers. "They hang back and wait until they see whether you have something that is interesting," he says. "In the early days you spend as much time 'selling' yourself to suppliers as you do to customers."

Initial costings of the Huggie convinced Vint and Cary that they could sell the bottle for £9 and make a profit. But when they got down to more detailed calculations with the subcontractors they were faced with manufacturing costs of £16. "It was a real nightmare," recalls Cary. "The manufacturers wouldn't budge because they had us over a barrel. They were charging £2 for items we subsequently made for 10p." Vint Industries has reduced the costs of making the Huggie substantially in recent months though there is still a way to go before it reaches its targets.

Handling manufacturing does not necessarily get any easier as a company grows in size because the range of manufacturing activities is also likely to expand. The advantage of the more established business is that it is more likely to have the management and financial resources to deal with the issue more systematically.

TECs 'could miss out on enterprise'

Charles Batchelor on a funding dilemma

The Training and Enterprise Councils (TECs), which are to provide locally-based industrial training and small firms support, may not have enough money to give adequate help to small businesses, Business in the Community (BIC), the umbrella organisation for Britain's 300 enterprise agencies, warns.

The TECs represent a rare opportunity to restyle services for new and growing businesses in Britain, according to BIC. Yet, because the budgets available for small business activity are comparatively small, there is a danger that enterprise will receive a low priority, BIC says in a guide* for TEC managers.

TECs should not "simply reconstitute existing provision under a different name" but should review the needs of small business, the guide urges.

It recommends that the TECs should:

● Use existing organisations which are effective rather than create their own small firms departments.

● Respond to small firms' demands rather than impose programmes on them. The TECs should not allow themselves to be constrained by the rules of existing schemes.

● Concentrate resources where the TECs can achieve the best results rather than spread their resources too thinly.

● Create networks linking the various support organisations so that small firms are automatically put in touch with the appropriate source of help.

The average TEC will deal with about 30,000 small firms of which about 3,000 can be expected to show some growth potential, Business in the Community said.

Specific initiatives which the TECs might take include providing outreach services to people unlikely to visit small business advice agencies; creating a pool of non-executive directors to serve on the boards of growing businesses; encouraging established businesses to open up their research and development facilities to promote innovation; and encouraging large firms to buy more from local small businesses.

*Putting the Enterprise into Training and Enterprise Councils. BIC, 227A City Road, London EC1V 1LX. Tel. 01-253 3716.

In brief...

■ The European Social Charter, which includes proposals for formal employment contracts, minimum wage regulations and the closer regulation of working hours, was "ill-conceived and bad for small firms," according to Tim Eggar, the British small firms minister.

"The Social Charter will create more red tape and further regulations which will directly harm the growth and development of the small business sector," he told the CBI small firms council.

■ The implications of 1992 for the European venture capital industry is one of the themes of a three-day conference to be held in Paris on April 4-6 1990. Venture capitalists and the managers of investee companies from 10 countries will take part in Venture Forum Europe '90, organised by Venture Economics and the Financial Times. Contact FT Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ. Tel 01-925 2323. Fee £650.

■ Cranfield School of Management is to establish a European Enterprise Centre to investigate the performance of high growth companies in Europe and to study the influences on their development. The centre will receive £250,000 of funding over the next five years from 3i, the venture capital group.

"We need to take on a more European perspective," said Don Clarke, 3i finance director, who is to become visiting professor at Cranfield. Paul Burns, Cranfield's professor of small business development and head of the project, said the centre's research was intended to be of practical value to business.

*Cranfield School of Management, Cranfield, Bedford, MK43 0AL. Tel 0234 751122.

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For further information contact the Joint Administrative Receiver, R.G. Ellis at:

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Tel: 01-383 5100 Ext.2441
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- Freehold and leasehold premises at Southport.

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For further information please contact F.W. Taylor or C.J. Chambers at Ernst & Young, Silkhouse Court, Tithebarn Street, Liverpool L2 2LE. Tel: 051-236 8214 ext. 225. Fax: 051-236 0258.

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For further information please contact:
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Arthur Andersen & Co.,
P.O. Box 55,
1 Surrey Street,
London WC2R 2NT.
Telephone: 01-836-1200
Facsimile: 01-438-3771
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Touche Ross
Blenheim House, Fitzalan Court, Newport Road, Cardiff CF2 1TS.
Telephone: 0222 481111.
Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

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For further information contact the Joint Administrative Receivers:
M. J. Moore and D. J. Waterhouse
Cork Gully,
Albion Court,
5 Albion Place,
Leeds, LS1 6JP.
Tel: (0532) 457332
Fax: (0532) 424000

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For details please contact the Joint Receiver, PRC Densham FCA of Price Waterhouse, Clifton Heights, Triangle West, Bristol BS8 1EB. Telephone: (0272) 293701. Telecopier: (0272) 290519.

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Rodger Taylor

KPMG Peat Marwick McLintock
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CONTRACTS & TENDERS

BROMLEY HEALTH AUTHORITY

An entry will be made in the Official Journal of the European Communities Restricted Procedure announcing the invitation of tenders for hospital development at:

(i) Bromley Common, Hayes Lane, Elmfield House, Bromley, Kent.
and (ii) Orpington Hospital, Sevenoaks Road, Orpington, Kent, BR6 9JU.

This innovative project will be the first in the U.K. to link in the same contractual arrangement, the provision of a major hospital building with the release of surplus development land. The elements of the project are:

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(ii) Using the skills of the Construction Industry to reduce the time-scale and cost of the new facilities.
(iii) Closure of Bromley and Farnborough Hospitals and demolition of all substandard accommodation at Orpington Hospital, and
(iv) Release of the vacated land and buildings, amounting to approximately 26.1 hectares on five sites in Bromley, as part payment for the new works.

Forecast value of all building works including mechanical engineering and electrical services, is approximately £98,500,000 at current prices. After a two-stage tendering process, the whole *of the work will be let as one contract.* The phased construction on both sites is anticipated to take up to four and a half years.

Requests from firms desirous of being considered *for inclusion in a selected list* of tenderers for the first stage made in accordance with the regulations set out in the Official Journal, are to be received by 16th November 1989.

After receipt of the outline details, application may be made for inclusion in the short list of tenderers for the first stage. Submissions for this must be made by 20th December 1989. The prospectus and form of tender for the first stage will be issued on 19th March 1990. A period of approximately three months is allowed for tender and analysis.

Requests for outline details should be addressed to The Director, Health Building Project Management Services, Thrift House, Collington Avenue, Bexhill-on-Sea, East Sussex. TN39 3NQ.

COMPANY NOTICES

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NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER PAYMENT OF COUPON NO.191

Holders of Share Warrants to Bearer are informed that payment of Dividend No.91 will be made in U.K. currency, on and after 3 November 1989 after surrender of coupon No.191 as follows:-

	per share pence
Dividend declared in S.A. currency 27 cents per share = in U.K. currency on 13 October 1989 at R4.2715 = £1 to:	6.32096
S.A. Non-Resident Shareholders' Tax at 15%	0.94814
	5.37282
U.K. Income Tax at 10% (see note) on gross dividend	0.63210
Net Amount	4.74072

Coupons may be lodged and listing forms may be obtained from:-

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LONDON	6/8 Boulevard Haussmann,
SW7 2PR	PARIS 75009

All coupons lodged with the Paris Agents and those lodged at the London Office accompanied by Inland Revenue declarations will be paid at the rate of 5.37282p per share.

CFA INVESTMENTS LIMITED,
London Secretaries.
per R.S. Brunt.

23 October 1989.

NOTE: The rate of S.A. Non-Resident Shareholders' Tax applicable to this dividend is 15% and relief for this has been given by deducting U.K. Income Tax at the rate of 10% instead of at the basic rate of 25%.

ACCOUNTANCY

The Financial Times proposes to publish this survey on:

28TH NOVEMBER 1989

For a full editorial synopsis and advertisement details, please contact:

WENDY ALEXANDER
on 01-873 3524

or write to her at:

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FT LAW REPORTS

Carriage contract is not frustrated

J LAURITZEN A/S v WIJSMULLER BV

Court of Appeal (Lord Justice Dillon and Lord Justice Bingham): October 12 1989

A PERSON who has an option to perform his contractual obligations by one of two alternative methods cannot assert the contract was frustrated if, through no fault of his, one of those methods is rendered impossible by an intervening event. And a contracting party is precluded from relying on a frustrating event not only if he caused it himself deliberately or in breach of actionable duty, but also if he had the means and opportunity to prevent it but permitted or caused it or was responsible for its occurrence.

The Court of Appeal so held when dismissing an appeal by the defendant carrier, Wijsmuller BV, from Mr Justice Hobhouse's decisions on three preliminary issues in an action by drilling rig owner, J Lauritzen A/S.

LORD JUSTICE BINGHAM said that Lauritzen owned a large and heavy drilling rig named Dan King.

By contract dated July 7 1980 Wijsmuller agreed with Lauritzen to transport Dan King from Japan to the North Sea.

The contract provided that the transportation unit was to be "Super Servant 1 or Super Servant 2 in Wijsmuller's option." Those were barges built for carrying large loads such as the rig.

The date for delivery of the rig to Wijsmuller for carriage was to be between June 20 1981 and August 20 1981.

By clause 16 Wijsmuller was not to be liable for any loss "unless caused by its deliberate act or omission." By clause 17 it had the right to cancel performance "in the event of force majeure . . . perils or danger and accidents of the sea."

On January 29 1981, several months before Dan King was due to be tendered for carriage, Super Servant 2 foundered and became a total loss. Super Servant 1 had been scheduled to carry cargo under other contracts during the period of the Dan King contract.

On February 16, two weeks after the casualty, Wijsmuller informed Lauritzen it would not transport the rig with Super Servant 1 or Super Servant 2.

The rig was transported by barge and tug.

Th[illegible] method of carriage [illegible] loss or increased expe[illegible] both parties, leading t[illegible] present litigation.

La[illegible] claimed damages for [illegible] of contract. Wijs[illegible] pleaded that the cont[illegible] been frustrated. Alte[illegible]ly, it relied on claus[illegible]

La[illegible] had alleged and Wijs[illegible] denied that the loss was [illegible] by Wijsmuller's negli[illegible] the facts had not yet [illegible] investigated. The issue[illegible] therefore been fram[illegible] alternative hypotheses t[illegible] of the vessel was, and [illegible] not, caused by Wijs[illegible] negligence.

Th[illegible] preliminary issue was [illegible] Wijsmuller was entit[illegible] cancel the contract unde[illegible]17.

Mr [illegible] Hobhouse held that [illegible] could cancel unde[illegible] 17 if the vessel was [illegible] without its negligence. That [illegible] appealed.

He [illegible] that if the loss was caus[illegible] Wijsmuller's negligence [illegible] time for performan[illegible] could not cancel unde[illegible] 17.

On [illegible] proper construction of cl[illegible] in the context of the [illegible] as a whole and back[illegible] circumstances, the judge[illegible] conclusion was correct.

Th[illegible] second issue was whet[illegible] contract was frustrate[illegible] loss of Super Servant [illegible] occurred without Wijs[illegible]'s negligence. Mr Justi[illegible] Hobhouse answered in the n[illegible]

Fr[illegible] occurred when the l[illegible] recognised that, without [illegible] of either party, a cont[illegible] obligation had becom[illegible] capable of being performe[illegible] see *Davis Contractors [1956[illegible] 696, 729).*

Ce[illegible] propositions, establishe[illegible] highest authority, were [illegible] open to question:

1. [illegible] doctrine of frustration was [illegible] to mitigate the rigou[illegible] the common law's insist[illegible] on literal performanc[illegible] absolute promises. Its objec[illegible] to give effect to the demands of justice.

2. [illegible] frustration killed the c[illegible] and discharged the p[illegible] from further liability, t[illegible] doctrine was not to be light[illegible] invoked and must be kept [illegible] very narrow limits.

3. [illegible] brought the contra[illegible] to an end forthwith with[illegible] more and automatically.

4. The essence of frustration was that it should not be due to the act or election of the party seeking to rely on it.

5. A frustrating event must take place without blame or fault on the side of the party seeking to rely on it.

Mr Clarke for Wijsmuller submitted that the extraneous supervening event necessary to found a plea of frustration occurred when Super Servant 2 sank. He said however, that the contract remained alive until Wijsmuller decided a fortnight later that it could not be or would not be performed.

There was, he submitted, no break in the chain of causation between the supervening event and non-performance.

To frustrate, an event must significantly change "the nature (not merely the expense or onerousness) of the outstanding contractual rights and/or obligations from what the parties could reasonably have contemplated at the time of . . . execution" (*National Carriers[1981] AC 675,700).*

Had the Dan King contract provided for carriage by Super Servant 2 with no alternative, and had it been lost before time for performance, then assuming no negligence by Wijsmuller, the contract would have been frustrated.

But that was not the case. There was an alternative. When the Dan King contract was made one of the contracts eventually performed by Super Servant 1 during the Dan King period had been finalised, but the other had not. Wijsmuller had not alleged that when the Dan King contract was made either vessel was earmarked for its performance. That no doubt, was why there had been an option.

Had it been foreseen when the Dan King contract was made that Super Servant 2 would be unavailable for performance, whether deliberately or accidentally, Lauritzen at least would have thought it no matter, since carriage could be performed with Super Servant 1.

Accordingly, the case did not fall within the limited class in which the law would relieve one party from an absolute promise.

Also, if, as was argued, the contract was frustrated when Wijsmuller communicated its decision on February 16, it deprived the language of meaning to describe it as "coming to an end automatically." It was because the contract did not come to an end automatically on January 29 that Wijsmuller needed a fortnight to review its schedules and commercial options.

The third issue was whether the contract was frustrated if the loss of Super Servant 2 was caused by Wijsmuller's negligence. Again the judge answered in the negative.

Mr Clarke said that a party was precluded from relying on a frustrating event only when he had acted deliberately or in breach of an actionable duty in causing it.

Those conditions were not met, he said, since it was not alleged that Wijsmuller sank Super Servant 2 deliberately, and it owed Lauritzen no duty of care (as the court had held) before time for performance had arrived.

Mr Legh-Jones for Lauritzen argued for a less restrictive approach. He relied on *Hannah Blumenthal[1983] 1 AC 854* where Lord Justice Griffiths said "The doctrine of frustration cannot be invoked by a contracting party when the frustrating event was at all times within his control."

Lord Justice Griffiths's opinion clearly indicated the path the law should follow.

Wijsmuller's test would confine the law in a legalistic strait-jacket and distract attention from the real question.

The real question was whether the frustrating event relied on was truly an outside event or extraneous change of situation, or whether it was an event which the party seeking to rely on it had the means and opportunity to prevent but nevertheless caused or permitted to come about.

A fine test of legal duty was inappropriate. What was needed was a pragmatic judgment whether a party seeking to rely on an event as discharging him from contractual promise, was himself responsible for the occurrence of that event.

On all three issues the appeal was dismissed.

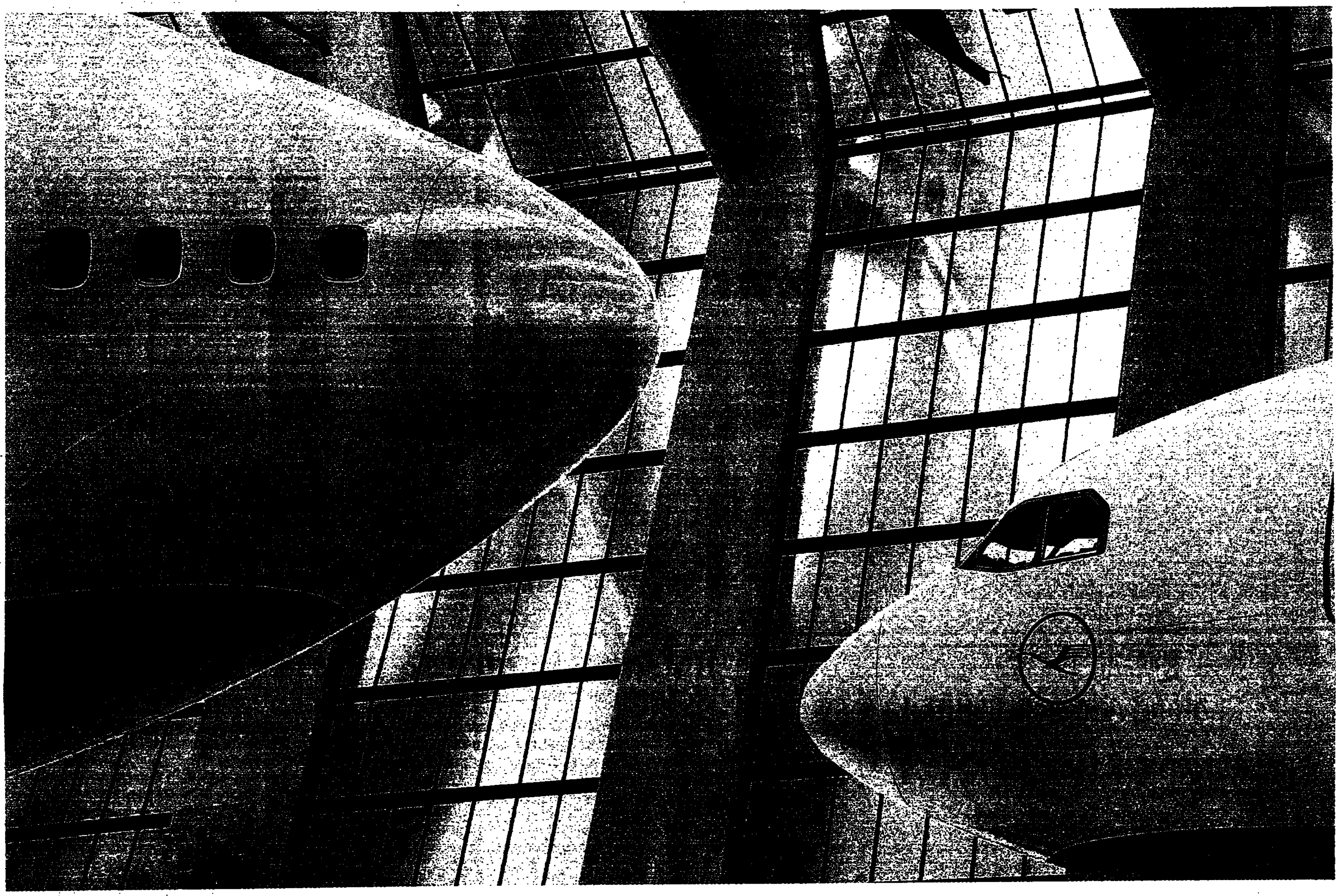
LORD JUSTICE DILLON gave a concurring judgment.

For Wijsmuller: Anthony Clarke QC and Richard Jacobs (Richards Butler)
For Lauritzen: Nicholas Legh-Jones QC and Julian Cooke (Holman Fenwick & Willan)

Rachel Davies
Barrister

NOTE: In *Cleveland Museum of Art v Capricorn International* SA (FT October 17) appearances were:
For Capricorn: Simon Tuckey QC and Sarah Harman (Elborne Mitchell)
For CMA: Nicholas Stewart QC and David Halpern (Reynolds Porter Chamberlain)

We share your preference for modern art.



The only art that counts with us is the art of flying. Our particular preference is for the modern style, and this is what we invest in it: this year we shall once again be putting 15 of the most modern aircraft into service. So that our collection will remain one of the most modern in the world. And we lavish all our care and attention upon it. With all that thoroughness and meticulous attention to detail for which we Germans are famous. You should also share our preference for this special form of modern art. Even if only from a practical point of view. Because you will always enjoy flying with one of the world's most up-to-date fleets of aircraft. Not to mention reaching your destination comfortably and in good shape.

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TECHNOLOGY

Strength for the ties that bind

Last week's earthquake in San Francisco highlighted the problems of designing bridges and viaducts to withstand big jolts, such as earthquakes or abnormally heavy traffic.

A London company, Colebrand, is marketing a system for strengthening bridges which uses a chemical compound developed for the US space programme – but which has also found fame as a child's toy.

Because bridges are made of concrete and steel, they need the space to expand or contract depending on the weather conditions. To allow for this movement most bridges are not permanently attached to all the upright pillars – "piers" – on which they rest. But when there is a sudden jolt the free piers do not give the same support as the fixed pillars.

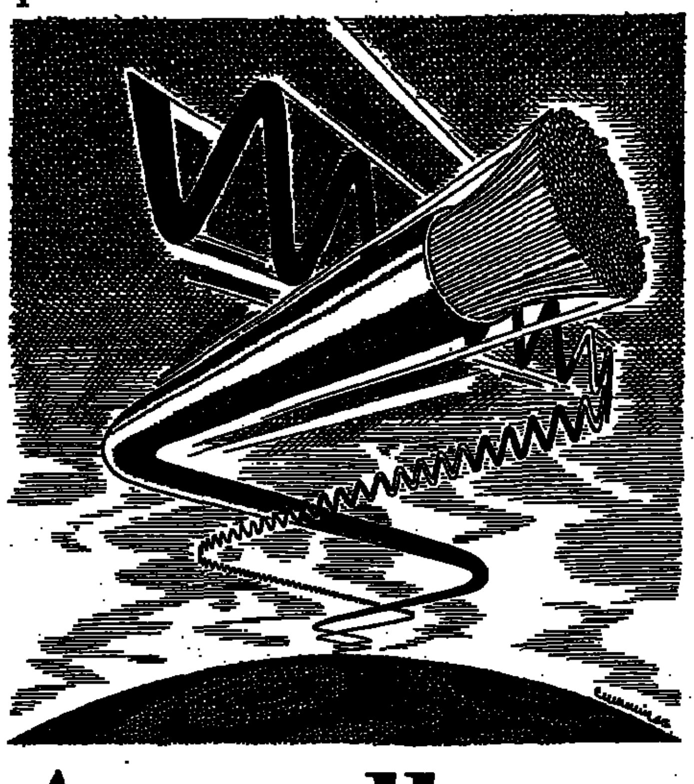
Pneumatic solutions to the problem have been devised in the past. But Colebrand's Structural Shock Transmission Unit, or STU, relies on a simple concept. The STU is a transmission rod inside a steel cylinder. The void between the two is filled with silicone putty, and the STU fitted between the top of the pier and the bridge.

The silicone putty (boron-filled di-methyl syloxane) deforms when pressure is applied slowly, yet becomes rigid when there is an impact. This transformation makes the putty popular as a toy. When the bridge expands or contracts, the putty allows the rod to move slowly. But if there is a sudden impact it becomes rigid, and the STU helps take the strain.

The device can be used in new bridges or to strengthen older ones which are under strain from growing traffic volumes. Some 14 STUs will be installed along the raised track of London's Docklands Light Railway next month. The aim is to prepare the railway for the longer trains needed in the 1990s.

Della Bradshaw

Peter Purton on how fibre-optics and radio are vying for a new place in telecommunications



A cordless tug of war

Fibre-optics, the telecommunications wonder of the 1970s, is facing a challenge from an unexpected and somewhat forgotten source: the radio. The idea is gaining momentum in the industry that radio, not fibre, will replace the exising copper network as the final telephone connection from the public network to the home.

For long distance lines, particularly international, fibre has been vying for supremacy with satellite technology for some time. On the whole, satellite technology has been losing the battle, partly because of a disastrous period in the industry's launch and partly due to a lack of reliability. It is now facing a challenge for shorter distances, an area it has only just begun to penetrate.

The prospect of sophisticated telecommunications services – such as interactive video where a user could talk to and see a number of other users at the same time, or super-fast information delivery which would, for instance, allow the delivery of the entire contents of a newspaper in just a few seconds – being made available to a mass market created considerable enthusiasm for the idea of building fibre-optic connections all the way to the user's door.

Two factors, however, have cooled this enthusiasm. First, the costs of fibre – particularly for installation – have not fallen as fast as many had hoped. Second, the mobile communications revolution has highlighted the demand for flexibility, both from users and from system operators.

The final stage of the connection to the subscriber – the local loop – is a problem too. "The local loop has become the bottleneck," says Peter Radley, technical director at STC Telecommunications. "We've been redeveloping the main network over the past few years – installing digital transmission and switching as well as augmenting the copper cable network with fibre and microwave – but we are still using century-old technology to connect users into the network. Some copper wires are as much as 100 years old."

Radley believes both fibre and radio will be used to implement local loops in future. Fibre in the local loop is only cost-effective for clusters of lines, he says. It is the best way to deliver telecommunications services to large and medium-sized businesses.

For domestic users, however, which account for the bulk of telephone owners, it only makes sense, he says, to take fibre right to the street and connect several customers to a box. "For this last 100 to 200 metres you could use copper or you could use radio to amplify," he suggests.

"Well over half of the costs of a typical local telephone operation are associated with the maintenance of copper cables, which means a lot of yellow vans and their drivers as well as the clerks to tell them where to go."

Radio tails – the last link using radio transmission – would avoid some of these costs, Radley suggests. "The technology is here. Deployment is merely a question of capital," he says. Radley suggests that the UK may see the partial deployment of radio tails by 1992.

The UK is not the only country where there is a growing interest in radio tails. In Japan the Ministry of Posts and Telecommunications has teamed up with Nippon Telegraph and Telephone and 30 communications equipment makers to investigate the use of radio spectrum between the frequencies of 1 GHz and 3 GHz for cordless subscriber connections. The Ministry says that it hopes to put the findings to use by 1991.

The European Commission is financing research into the possibility of a pan-European communications system which should allow the bulk of Europe's telephone subscribers to access data, video and voice services using pocket-sized transceivers. Some 23 companies are involved in the project, which is being financed as part of the Commission's Race (Research on Advanced Communications in Europe) programme. The project leader is Philips Radio Communications Systems of the UK.

The aim is to offer terminals (at a cost of £40) to subscribers which can support voice, data or image links of up to 2m bits per second. On a pan-European basis, engineers believe that some 200 MHz of spectrum will be needed in the 1.7 GHz band.

"People don't want to ring places but other people," says Ed Candy, one of the engineers heading the project at Philips. At the moment, technology provides half the answer with such services as cellular radio, radiopaging and cordless telephones but the proliferation of such systems also causes problems. "What we are talking about is providing an infrastructure that can replace the lot," says Candy.

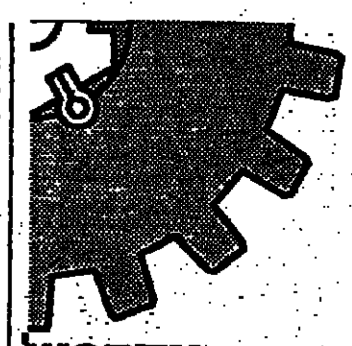
The challenge for engineers is to provide the infrastructure which will support 100m users or cordless appliances. The best solution, they have decided, lies in a system based on cellular radio mobile telephone technology using a variety of cells in parallel: inner city microcells covering less than a block; motorway microcells covering short stretches of road; office and home microcells providing cordless business exchanges; satellite macrocells covering network links in rural areas. According to Candy, microcells could be based in people's homes and offices and could be used to provide services to third parties.

Depending on who owns the base stations this could cause a regulatory revolution. A problem which may result from the increased use of radio spectrum may be its negative effect the users of airwaves, such as broadcasters.

Malcolm Ross, senior analyst at management consultancy Arthur D Little, predicts that before the year 2000 there will be a battle for bandwidth between broadcasters and telecommunications network operators. "I think the broadcasters will be forced on to cable," he notes.

A study last year by US-based engineering consultancy Hatfield Associates provides evidence to support Ross's view. It showed that 1 MHz of radio spectrum was worth between $3m and $7m to a cellular operator. Based on these figures, a 6 MHz channel – needed for the high definition television services planned for the 1990s – could have a market value of as much as $40m.

"Broadcasters will simply not be able to afford bandwidth as long as communications services present a much more valuable resource," says Ross.



WORTH WATCHING

Edited by Della Bradshaw

Clear sound for all that jazz

LOUIS Armstrong would have hated his jazz classics to be accompanied by clicks and noise, writes Lynton McLain.

Thanks to developments in computer technology, noise on some of his classic releases – and recordings of all types of music and dialogue – can be removed. The technique is called NoNoise, developed in California by the Sonic Solutions Corporation.

A digital copy is made of the original soundtrack and the data recorded on a computer disk. The music, including the clicks and background noise, is represented digitally on the computer screen.

The clicks, which last for tiny fractions of a second, are removed from the copy by computer simulation, rather than editing. The computer program replaces the click with a pattern of sound waves based on the sound immediately before and after the click.

Background noise can be removed by intensive computer processing. More than 53m computations are needed to clean up a second of recorded material.

European companies wanting their old soundtracks repaired can use the services of the aptly named company Chop 'Em Out, of London, which is using Sonic Solution's technology.

Diamonds in rough roads

AN American solution for the problem of bumpy roads could soon find its way on to European highways.

The technique is called diamond grinding, and is a way of repairing concrete road surfaces at about half the cost of existing solutions. These usually involve covering the blemishes with asphalt.

During a seminar in Sweden set up by the International Grooving and Grinding Association (IGGA), of North Carolina, demonstrations were given to European road authorities of how the concrete surface can be ground down by 17mm each time.

The resulting surface has a "corduroy" texture – with mini grooves and ridges to improve the skid-resistance of the surface. Each road can be treated twice in this way, and then asphalt laid over the surface after that.

Another advantage of diamond grinding is that it takes only one machine to perform the task, causing minimal disruption on main roads.

Metalling with fresh fish

JAPANESE sushi eaters will be able to have more confidence in the freshness of the fish they eat following developments in testing at Nagasaki University.

Until now most testing of food for freshness has involved cutting it up and treating it with chemicals, which makes the food inedible. But the Japanese university is working on sensors which measure the gases given off by the fish, and so do not destroy the meat.

The fish is stored in a closed box at room temperature with a sensor of precious metals, such as titania and ruthenium. The sensor detects the amount of trimethylamine emitted – the less gas emitted, the fresher the fish.

Extra-sensory perception

PORTABLE computers may be lightweight and convenient, but careworn air travellers often do not have enough room to use a mouse to carry out tasks, and have to rely on the keyboard.

In its laptop machine, Apple Computer has chosen to use a rollerball system, but another solution has been developed by Culton Sales and Services, of Dorking. It is licensing a finger-position sensor, controlled by two integrated circuits, which could be designed into the keyboard of a portable computer.

The sensor moves the cursor around the computer screen by finger pressure. Once the cursor is at the right place, pressing a second sensor instructs the laptop to carry out the specific function.

Culton has also devised a keypad for use with traditional desktop systems. It incorporates two sensors, one for positioning and the second to instruct the computer to carry out the task. The company believes the handset, which contains no moving parts and is completely sealed, could also have applications in engineering and manufacturing systems.

A message you'll never forget

ONE of the biggest disadvantages of scrawling out messages on a scrap of paper is that the note can be lost or the words obliterated by a badly placed mug of coffee, writes Andrew Wiseman.

DSC Electronic, of Munich, West Germany, has developed a talking notepad which records messages of up to 32 seconds via a conventional microphone.

But Memobox has a trick up its sleeve. Using the same technology which is popular for burglar alarms, Memobox has a built-in sensor which detects the body heat of anyone who enters the room.

When that happens, Memobox springs to life and plays back the pre-recorded message.

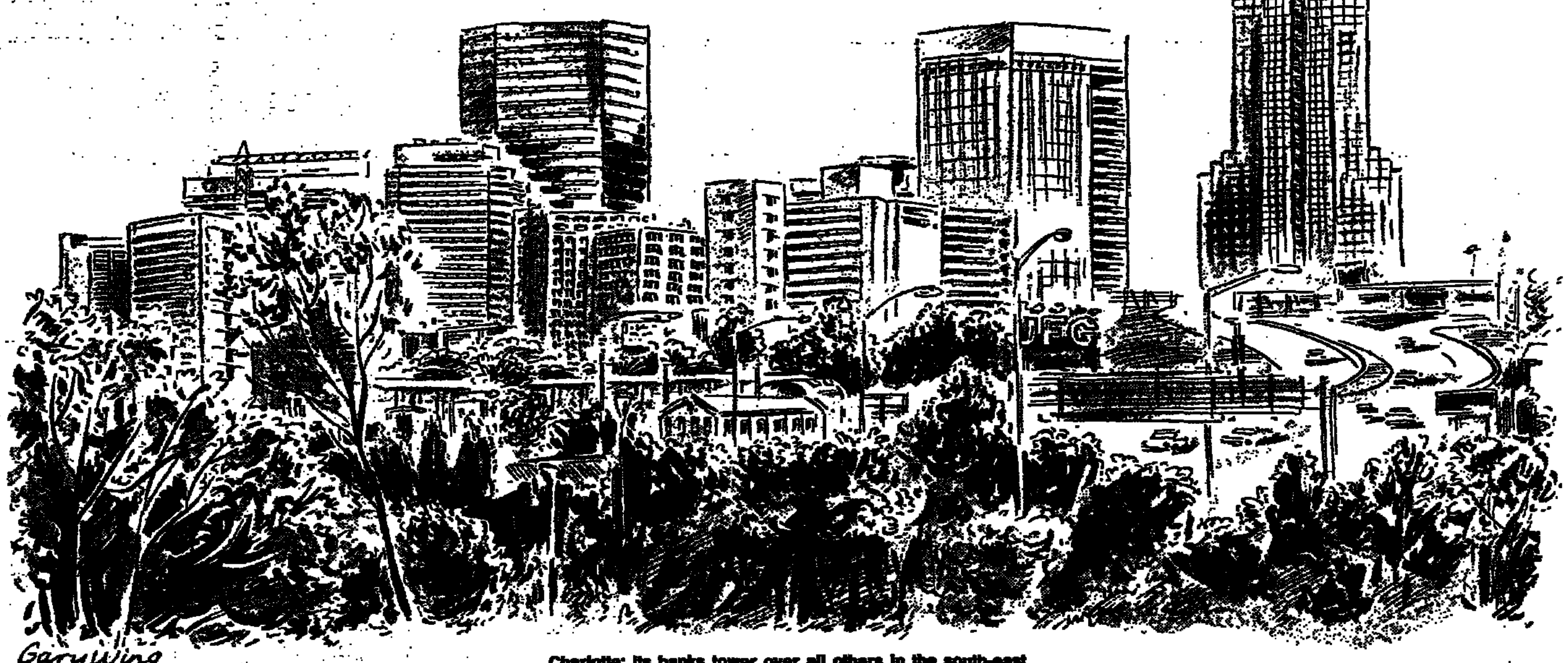
Costing about DM100 (£39), the box of tricks records the message on semiconductor chips and is therefore sturdier than mechanical tape recorders.

Contacts: Sonic Solutions: US, 415 781 8866. Chop 'Em Out: London, 01 480 6125. IGGA: US, 704 ... Nagasaki University: Japan, 0958 471111. Culton: UK, 0306 885136. DSC: W Germany, 89 327 032

FINANCIAL TIMES SURVEY

In two decades North Carolina has been transformed from an economic backwater into one of the fastest growing states in the union. However, a slowdown in the growth rate this year will test the state's ability to avoid recession. James Buchan reports.

Meeting point of the South



Charlotte: its banks tower over all others in the south-east

NORTH CAROLINA

ON THE edge of Highway 51, in the wooded outer suburbs of Charlotte, a vast church of pink concrete and smoked glass towers above its parking lot. This is the Calvary Church, a monument to the glory of God and the miracle of financial leverage.

When it is dedicated in December, the church's great sanctuary will seat 6,500 people. This is just under twice the membership of the tiny evangelical sect building it. To raise the $39.5m the building will cost, the church undertook to pay out twice as much in mortgage interest every week as the collection plate brings in every Sunday, according to Charlotte bankers.

Mr Jerry Green, a spokesman for the Calvary Church, is undeterred. He says: "When we had problems meeting our financial obligations to our bankers, we received an anonymous gift of $3.5m from out of state. You have to believe that the Lord had something to do with that. The Lord wants this church to grow."

For someone looking for the spirit of North Carolina, there are worse places to start than Highway 51 on the southern edge of Charlotte. One of 500 churches listed in the Charlotte telephone book, Calvary belongs squarely to the old South of community service, missionary zeal and doctrinal "orneriness". It would hate to be bracketed with Jim Bakker, the television huckster recently found guilty in a Charlotte court of bilking his flock of millions. But Calvary is brash, competitive, recklessly optimistic, almost Texan in its sense of the possible. It is the new North Carolina.

In the past 20 years, the state has been transformed. Once an economic backwater, heavily dependent on low-wage industries such as textiles and tobacco, North Carolina is now one of the fastest growing states in the union. While some northern states have stagnated, North Carolina has raced ahead to rank 10th in population last year and 12th in manufacturing output. Since pulling out of the recession of the early 1980s, the economy has grown spectacularly.

Gross State Product has expanded since 1983 at an average of 5.5 per cent a year after accounting for inflation, as against 4.1 per cent for the US as a whole. New industries have flocked to the state, attracted by the low wages, a skilled labour force, good roads and air service and a tradition of decent government. The Charlotte banks, led by NCNB, have embraced interstate banking with a vigour unmatched in the South, and have turned a pleasant, undistinguished town of salesmen and trucking companies into a financial centre to match Atlanta.

In the smaller towns, the old textile mills and cut-and-sew shops that accounted for 20 per cent of the non-farm workforce in 1970 now employ little more than a tenth. As in much of the South, *old-style conservative* Democrats have been losing ground. The Governor is a Reagan-era Republican. The best-known politician is a populist conservative, Senator Jesse Helms.

This year will mark a break in the state's relentless economic march. With big industries from textiles to paper and chemicals to computers slowing down, and a full-scale slump in construction activity, North Carolina is likely to see its growth cut in half.

Whether this slow growth tips into recession has yet to be seen. But even a slowdown will test the state's much-vaunted diversification even before it can bring prosperity to the rural counties of the mountains, the blacks of the cities or the rednecks of the farm country. And it could strain overbuilt real estate markets from downtown Raleigh to the retirement colonies of the coast. "There is a 20 per cent surplus of developed real estate in this country and this state," says Mr John Medlin, *chairman of First Wachovia*, a bank based in Winston-Salem. "Real estate is the banking system's Achilles heel."

North Carolina is a most un-southern southern state. It was settled mostly by smallholders and never had much of a plantation elite. Instead, once the Civil War was done, North Carolina had everything to recommend it for processing industry. It had the crops, in the form of tobacco and hardwoods with cotton further south, it had abundant water power and it had miserably cheap labour. By the last two decades of the 19th century, cotton mills were being built at a rate of six a year. James Duke built his great tobacco trust from popularising the cigarette. The timber of the Smoky Mountains and the craft traditions of Winston-Salem's Moravian community became the base of the High Point furniture industry.

You can still sense this era in the easy scale of the cities, which grew not for some important geographical feature but as capitals of modestly *powerful economic interests*: the Reynolds family and the Moravians in Winston-Salem, the Duke interests in Durham and so on. Even today, Charlotte has fewer than 400,000 people, though its boosters have captured that indispensable status symbol for the up-and-coming city, a major league sports franchise. But when Hurricane Hugo hit Charlotte, it felt like a village, because people helped one another out. There are seven other towns with populations of more than 50,000.

In these close-knit little towns, dominated by mill and banker, it was no surprise that labour organisers made little progress and wages remained so low. In 1980, when a full third of the North Carolina workforce toiled in manufacturing industries, average wages were just $5.57 an hour, which was lower even than in the Deep South of Mississippi and Arkansas. Even after the boom of the 1980s, the manufacturing wage was just $8.44 in the middle of this year, 20 *per cent below the US average*.

To their great credit, Democrat and Republican governors have tried to break the low-wage habit. Back in the 1950s, Governor Luther Hodges attempted to promote the state to *other economic interests*. His greatest success was Research Triangle Park, which offered business access to the state's three great universities in the Raleigh-Durham-Chapel Hill area. His outstanding successors were Terry Sanford and James Hunt, who built the community college system into a source of higher skilled labour and continued to push diversification. In this decade, Mr James Martin, a Republican, has attracted investment from West Germany, the UK and the Far East at a striking rate.

There can be no denying their success. The trio of industries, comprising tobacco, furniture and textiles and clothing, employed 25 per cent of the non-farm workforce of 1.8m in 1970, according to the North Carolina Employment Security Commission. In 1988, the three industries employed 14 per cent of a non-farm workforce that had grown to 3m.

The outlook for the traditional industries is by no means bleak, even if Wall *Street has come to* regard North Carolina tobacco and textiles as mature industries that have too much capital. Wall Street duly milked Burlington Industries and RJR Nabisco for all their surplus cash (and most of their equity) in leveraged buy-outs in 1987 and 1988, but this was not before both companies had spent billions of dollars to make their plants highly competitive and less dependent on cheap labour.

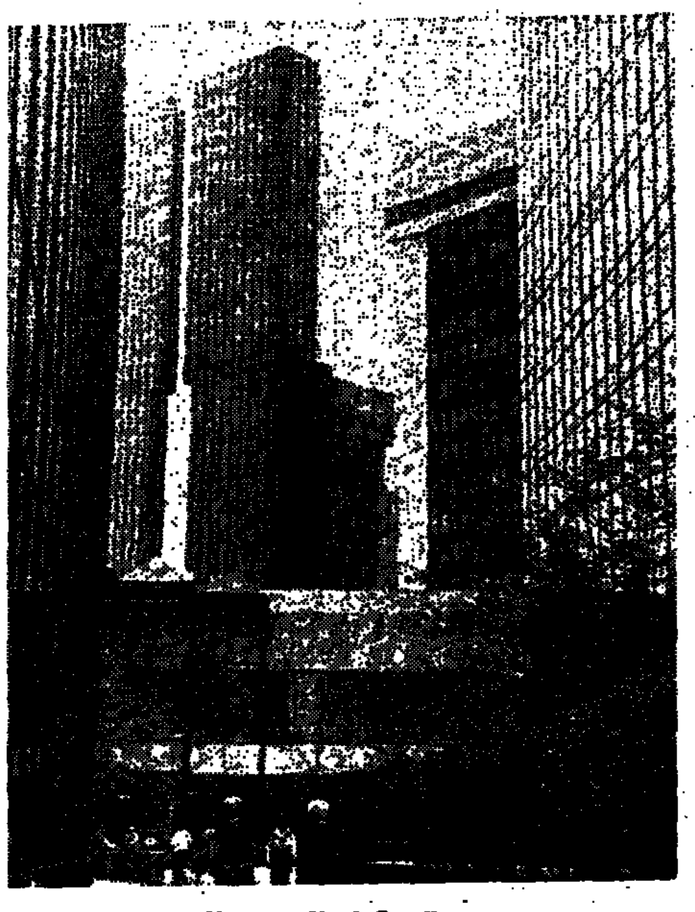
For the rest of the economy, the next few years will be challenging. For all the diversification of the 1970s and 1980s, jobs in the service sector still make up less than 18 per cent of the non-farm workforce. This means that the weakness in manufacturing that bank economists are predicting will not be fully offset. There are also parts of the state, a long way from the Interstate road system in the mountains and in the east, which are structurally weak. Mr Bruce Flye, who farms tobacco near the little town of Bettleboro in the east, was part of a commission (that included the local fast-food group, Hardee's), which looked for an industry that might replace tobacco growing. "We came to the conclusion that *nothing can take the place of* tobacco," he said. "It will kill eastern North Carolina if tobacco goes."

The other challenge is so nebulous, perhaps it isn't a challenge at all. There are parts of Raleigh, with its ostentatious suburban houses and traffic-clogged streets, that might be in the North. There is a Yankee hustle about the place. Even as North Carolina prospers, it should preserve some of the grace and civility of the old South.

NORTH CAROLINA 2

James Buchan looks at the banking industry

Pace-setter for the South



Banking district in Charlotte, North Carolina

NEW York. San Francisco. Los Angeles. Charlotte. Chicago... If there is an odd-man-out in this list of US banking centres, it is certainly not Charlotte. In the 1980s, North Carolina banks have set the pace in a new banking market that increasingly covers the South.

NCNB, a Charlotte bank that could scarcely muster $10bn in loans and other assets at the turn of the 1980s, has executed a dizzying series of regional acquisitions to become one of the top dozen US banking organisations. Its assets at the end of September were $59.6bn.

First Union, its cross-town rival, has peppered the south-east with 850 branches, a branch network larger than all but three US banks. First Wachovia, whose unpretentious tower block looks down on Winston-Salem, is the bank that some out-of-state bankers think may be the best in the country. And there are several smaller but well-regarded banks, such as BB & T in the tobacco country of the east.

Even as these banks gain national reputations, they pose several questions. How is that North Carolina, a low-wage backwater for much of its history, has nurtured such prosperous and outward-looking institutions? What do they have in common? Where are they going?

Talk to North Carolina bankers and you get the same answers to the first question. Almost alone of southern states after the Civil War, North Carolina imposed no limits on branch banking. First Wachovia was opening branches in Asheville and High Point at the turn of this century. Across the state line, Georgia banks were still restricted to a single county in the mid-1970s.

Branching gave the North Carolina banks diversity in deposits and assets. Mr John Medlin, 55, chairman of First Wachovia, says: "We have offices in North Carolina that would have gone broke in bad farm years if they'd been banks."

Branch banking also encouraged ferocious competition, which had a Darwinian effect on weaker banks. NCNB and First Union were created from mergers in the 1960s and they went on gobbling up their neighbours into the 1980s. Apart from a real estate recession in the mid-1970s, the North Carolina economy grew fast enough to keep creating respectable loan opportunities. Mr Edward Crutchfield, 48, chairman of First Union, said: "We were large. We had some know-how. The economy had been one of the best. We had experience in managing remote operations. We were perfectly positioned for interstate banking."

For Mr Hugh McColl, 54, chairman of NCNB and the most impatient of these men, interstate banking came early. A good four years before the Supreme Court ruled that states may form regional banking pacts, NCNB found a loophole in Florida banking law that permitted the bank to buy First National Bank of Lake City. Mr Crutchfield and Mr Medlin waited until a couple of days after the June, 1985 court ruling before merging with Atlantic Bancorporation of Florida and First Atlanta respectively. First Union now boasts assets of $31bn and First Wachovia about $23bn.

What these bankers all have in common is the sense that their industry's growth years are behind it, profits are declining, competition is increasing and costs are too high. Says Mr Crutchfield: "This is a mature industry where you are going to have to eliminate capacity. It's a race to reduce non-interest expenses quicker than net interest margins fall."

For NCNB and First Union, the strategy is broadly similar even if the tactics are different. Both are expanding rapidly into neighbouring states and related businesses — investment banking, mortgage lending, securities — so they can spread overhead more thinly and push more services through the branch network.

Mr McColl, who least fits the role of the genteel southern banker, has little time for other bankers' sensibilities and has been quite brutal in his merger approaches. But his deal to buy the failed First RepublicBank of Dallas from the Federal Deposit Insurance Corporation is beginning to look like a step of brilliant audacity and panache. With the completion of the deal this year, NCNB doubled its asset base but under terms that left First Republic's identifiable bad loans with Washington. Mr James Thompson, chairman of the south-eastern banking at NCNB, expresses the tremendous élan at NCNB: "We'll hit $100bn in assets in a short time."

Mr Crutchfield laid the grounds for First Union's growth with an audacious bet on interest rates in the 1980s. When interest rates tumbled, Mr Crutchfield's large portfolio of fixed-interest securities soared in value and so did First Union's stock. With the appreciated stock as currency, First Union could make a string of acquisitions that doubled the bank in size before interest rates turned against it.

The key to the future of these two banks is how well they manage credit quality as they expand. They continue to pour out the loans, with lending at NCNB's south-east branches increasing at 17 per cent a year. This is a brave rate of growth in the eighth year of an economic expansion, when common sense suggests there are fewer and fewer good risks left. Bad debts at NCNB south-east are 1.65 per cent of total loans, which is not at all high except by the standards of First Wachovia.

At this extraordinary bank, Mr Medlin apologises for a non-performing asset rate of 0.35 per cent and sorrowfully puts the blame on the credit-card portfolio at its Atlanta bank. Acutely aware of the prudent Moravian businessmen who founded the bank, Mr Medlin feels no compulsion to dash for assets or conquer new businesses.

He asks: "What is a little southern bank doing in investment banking?" His approach is to try and leverage not the bank's capital but its national reputation for service and quality. This is not an implausible strategy.

Karen Zagor discusses labour relations

Low level of union activity

"NORTH CAROLINA has the best labour climate in North America," according to Mr George Shelton, president of Capital Associated Industries, a North Carolina employers' association.

Among the reasons cited by Mr Shelton are the strong work ethic, the rugged individualism of the people and the quality of life.

Other attractive features include the absence of inventory tax, reasonably low sales tax, an outstanding highway system, good universities, fairly low crime levels and very good weather.

But perhaps the single most attractive feature for employers is the exceptionally low level of union representation in the state. Employers say the result is fewer strikes and work stoppages.

Others say the lack of unions results in lower wages. Hourly manufacturing wages in North Carolina in August were $8.44, compared with $10.45 in the US as a whole. Among the 50 states, only Mississippi regularly undercuts North Carolina when it comes to paying employees.

"This is a state of small communities and small companies," said Mr Earl Bradley, an economic analyst at the state's Commerce Department. The average employer in North Carolina has only 17 employees.

The growth in higher value-added industry, such as electrical machinery and instrumentation, and the expansion of service industries, has changed the overall industrial structure of the state. Manufacturing, however, remains a big employer, providing jobs for some 29 per cent of the state's workforce, the largest employment sector. The main area of growth for the newer industries is confined largely to the Piedmont area, which includes the state's major universities and main cities.

Although the new industries have provided more jobs for the state, bringing unemployment down to 4.9 per cent in July from as high as 9 per cent in 1982, there are many rural communities where the rate of unemployment runs much higher.

In McDowell county, for example, in the western part of the state, unemployment was 4.9 per cent in July. Furthermore, there is an ample supply of ready labour from neighbouring Virginia and South Carolina, thanks to the advent of the automobile.

Some say that remarkably little has changed since 1929, when Sinclair Lewis wrote that manufacturers "have their mills in the South because of that famous supply of 'cheap and contented labour'... In these towns the mills control the banks, the banks control the loans to small businessmen, the small businessmen are the best customers of the professional men — even when the latter are professional men of God — and so the mills can back-up the whole human train, down to the clerical caboose."

Companies no longer control North Carolina's towns but there is a residual sense among employers and employees alike of family and loyalty. According to Mr Frank Goldsmith, an attorney in Marion, a mill town in the west of the state, the only union in the county is in telecommunications. Recent efforts by the Teamsters union to organise workers at the local Baxter Travenol factory failed.

"Marion traditionally is a company town. The company ran almost everything from the school to the church," said Mr Goldsmith. "The company no longer owns the town, but there are not a lot of employment alternatives. People accept their lot in this life and wait for reward in the next."

The religious tenor of the state is also thought to work against the labour movement. Employers say religion is part of the work ethic. "People here feel they have a responsibility to give someone a fair day's work if they take the job," said Mr Shelton.

Others argue that religion breeds passivity in workers. "A good worker doesn't complain and gets his reward in heaven," said Mr Daniel Pollitt, a professor of law at the University of North Carolina at Chapel Hill. "Unions are seen as synonymous with atheism, communism, corruption and graft.

The religious tenor of the state is also thought to work against the labour movement

"When we built the law school we used non-union labour because we couldn't find enough union labour."

An often-heard explanation for the low level of unionisation is that employees are only interested in unions when there is something wrong to begin with, and that relations between employer and employee are good in the state.

"Employers in this state are aggressive in explaining to workers that unions are not going to get us more customers, will not make us more competitive or secure jobs. We have to work together if we are going to get things done," said Mr Shelton.

"I don't think people are anti-union, they're scared of losing their jobs if they unionise," said Mr Chris Scott, president of North Carolina State AFL-CIO, the country's biggest labour federation. According to Mr Scott, the failure of the Patco air traffic controllers' strike did immeasurable damage to the North Carolina union movement. In 1981, President Reagan destroyed the Patco union by firing 11,500 striking workers and quashing the union's collective bargaining power.

There are exceptions. According to Mr Scott, the big cigarette manufacturing companies in North Carolina are virtually all unionised, with the exception of R J Reynolds. Telecommunications is also strongly unionised and the Teamsters have a fairly large presence in the state.

But North Carolina invariably falls into the category of least unionised states. In 1988, about 6.25 per cent of non farm workers were union members.

And as long as the so-called Right to Work law, which protects workers from pressure to join unions, remains in place, it is unlikely that there will be a significant swing towards organised labour. "The labour system has no teeth to fight unfair dismissal," said Mr Pollitt. "If the labour law were amended, we might see more unions."

TEXTILE INDUSTRY

Revolution brings its reward

ROW AFTER row of looms at Burlington Industries' Williamsburg plant are silently gathering dust. To an untrained eye, they look only slightly different from the faster, more efficient machines which have replaced them. But they bear testimony to the wave of modernisation which is changing the face of US textiles.

The US textile industry has gone through something of a revolution in the 1980s. Increasingly, fierce foreign competition and a string of huge mergers and leveraged buy-outs on Wall Street have forced the industry to consolidate and restructure in order to survive.

The result has been investment in state-of-the-art machinery to improve efficiency and help reduce employment costs in this traditionally labour-intensive business. Capital expenditure in textiles has run at about $1.7bn through the decade, with a record $2.12bn spent in 1988. Capital expenditures for 1989 is expected to be $2.13bn.

At the Williamsburg plant in the northern reaches of North Carolina, teams of a few workers can monitor more than 35 machines at a time. After the initial threading stage, it is rare to see someone working intently on one loom. New technological developments such as shuttleless spinning and air-jet weaving, are beginning to make a dent in the cost advantages of rival south-east-Asian manufacturers.

There are already some signs of success. The rate of redundancy in textiles proper appears to have levelled after several years of steady job losses. In North Carolina, which accounts for 30.5 per cent of the industry's employment, there were 227,000 working in textiles in August 1989 compared with 208,000 in 1985 and 258,000 in 1977.

Textiles have been the backbone of North Carolina's economy for more than 100 years. And while other industries have a growing presence in the state, textiles remain the biggest manufacturing employer.

Wages of US textile workers only sound steep when compared with those in competing south-east-Asian countries. They are well below the $10.45 an hour average wage for manufacturing in the US. In North Carolina, hourly wages in textiles are $7.46 against $7.70 in the US, and the national figure is heavily weighted down by North Carolina.

The low level of wages are supported, in part, by North Carolina's exceptionally low level of unionisation. Only about 6 per cent of non farm workers belong to unions. Since 1929, when an attempt to organise labour at the Marion mill, in the western part of the state, ended in the deaths of six workers, attempts to unionise have been generally bitter and fruitless. A massive drive in the 1950s by the Textile Workers Union ended in almost total failure, as do the moves to unionise J P Stevens in the 1970s.

The recent wave of buy-outs and takeovers has left the sector clearly dominated by a few big names. The jury is still out on the aftermath of the resulting huge debt burden. Analysts say the debt to equity ratio is an uneasy 1:1, compared with 1:3 five years ago.

Textiles have been the backbone of North Carolina's economy for more than 100 years

According to Mr Don Hughes, vice-chairman of Burlington Industries and soon to be president of the American Textile Manufacturers Institute, the mergers have not caused serious difficulties for the industry. There have been changes at Burlington, one of the biggest US textile companies, which went private in a management-led LBO in 1987. "We have streamlined some of our operations which was necessary because of the debt and we must be extremely conscious of improving our cash flow," said Mr Hughes.

As a result of the debt burden, Burlington has put a ceiling on annual capital spending of £50m. In 1987, the company's capital expenditure was £157m, from £125m in 1986.

"It is a given fact that we must run our business as efficiently as we can. Imports are more of a threat," he added.

US manufacturers complain of unfair training practices which leave the domestic market virtually wide open while their exports are constrained by import regulations in competing countries. Furthermore, they accuse foreign competitors of dumping in the US to create a foothold in the world's biggest textiles markets.

"We are an easy target because our doors are open. We are not asking for rollbacks, we are asking for fair trade, or at least equal access," said Mr Hughes. The US imposes no textile quotas against industrialised nations other than Japan. The two most recent congressional bills to curtail textile imports have been vetoed by the president.

The rate of redundancy in textiles proper appears to have levelled after years of job losses

In addition to modernising, US manufacturers are starting to fight back by competing more aggressively in foreign markets. The value of shipments from US mills were £59.8bn in 1988 from £57.5bn in 1987, according to the American Textile Manufacturers Institute. The value of imported clothing and textiles was essentially flat at $29.7bn while exports increased 25 per cent to $5.1bn.

The US textiles sector has benefited recently from a softer dollar, which has helped US companies compete abroad while making the domestic market more difficult for foreign competitors.

The increased competition has also prompted companies to be more responsive to customer needs. Fashions change quickly so that fast, flexible service is critical. "Many operations have become more complex in terms of product offerings, fabric, styling and colorations — the diversity is much greater than it was five years ago," said Mr Hughes.

Although the proportion of people working in textiles in North Carolina has fallen from 13.1 per cent in August 1979 to 6.6 per cent in August 1989, the decline is, in part, due to increasing employment in other manufacturing sectors. The overall number of jobs in the sector has actually picked up in the last year.

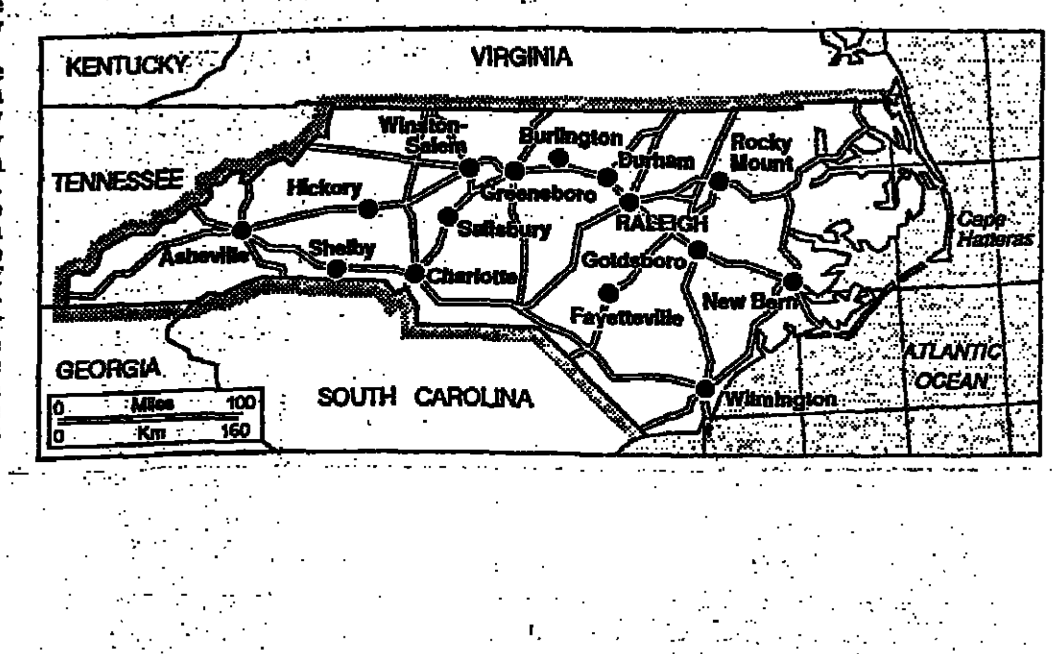
"I don't think we will see much more of a shift away from textiles," said Mr White Watkins, assistant secretary for traditional industries at the North Carolina Department of Economic and Community Development.

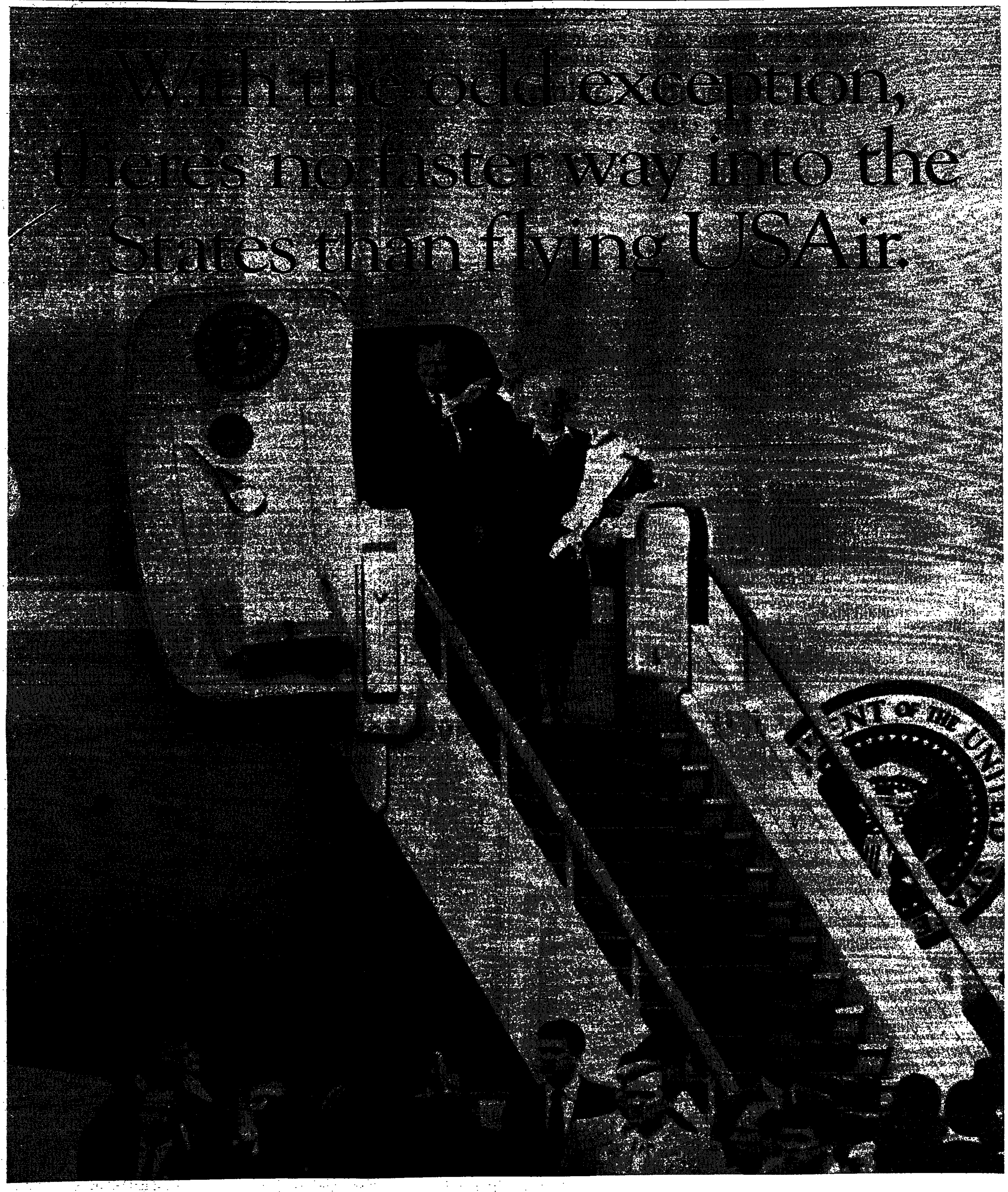
Karen Zagor

KEY FACTS

Population	
1988	6.526m
1980	5.898m
1980-1988 (av annual growth %)	1.27
Employment	
1988	3.616m
1980	3.012m
Employment by sector	
Farm — 1988	109,000
1980	151,000
Private nonfarm — 1988	2.932m
— 1980	2.336m
Manufacturing — 1988	874,000
— 1980	838,000
Mining — 1988	5,000
— 1980	4,000
Construction — 1988	223,000
— 1980	160,000
Transport, comm, pub utilities — 1988	161,000
— 1980	129,000
Wholesale trade — 1988	165,000
— 1980	130,000
Retail trade — 1988	583,000
— 1988	429,000
Financial insurance real est — 1988	194,000
— 1980	142,000
Services — 1988	697,000
— 1989	482,000
Other — 1988	30,000
— 1980	21,000
Government — 1988	575,000
— 1980	525,000
Wage and salary workers — 1988	3.125m
— 1980	2.628m
Farm proprietors — 1988	75,000
— 1980	96,000
Nonfarm proprietors — 1988	416,000
— 1980	288,000

Source: National Planning Association Economic Data Base




With the odd exception,
there's no faster way into the
States than flying USAir.

James Buchan examines the tobacco industry *which is under tremendous political pressure*

An increasingly taxing time for growers

IN EASTERN North Carolina, a flat country of small towns, churches and farms on sandy soil, it is the best and the worst of times. The land's tobacco farmers, who were all but bankrupt four years, are enjoying a sharp rise in demand.

Last year was the best year for North Carolina's more than 25,000 growers since they banded into a co-operative in 1946. There is more land under the crop as tobacco quotas, administered under an arcane system going back to the Depression, have been rising for two years.

At the big tobacco auction warehouses in Wilson, prices have been weakening in recent weeks after a strong start to the season.

This year, "bright" or flue-cured tobacco should generate for North Carolina farmers the best part of $1bn. This makes the weed, as growers note with a wry smile, the state's second most valuable crop after illegal marijuana.

Tobacco may be legal but it is a crop under tremendous political pressure. Ever since the first report by the US Surgeon General on smoking and health in 1964, consumption of cigarettes per person has been on the decline in the US. Since 1981, overall domestic shipments have been falling at a slowly increasing rate. The decline, which coincided with falling export markets because of a high dollar exchange rate, plunged the tobacco farmers into crisis throughout the South.

Their co-operative – the Raleigh-based Flue-Cured Tobacco Co-operative Stabilization Corporation or Stabilization for short – could not finance its price-support mechanism and they had to be rescued by the manufacturers in 1986. A second report from the Surgeon General that year, this time on environmental tobacco smoke and health, has kept up the political pressure.

In some northern states and California, smoking is all but banned in public places. Congressmen from the tobacco states, such as Sen Jesse Helms of North Carolina, find themselves outgunned in Washington.

As well as being isolated socially, smokers are being made to pay more and more for cigarettes. Tobacco has been taxed by the Federal government since the 18th century and each packet now carries 16 cents in federal excise tax. States have been in the cigarette taxation business only since the 1920s, but some are now imposing punitive imposts both to raise revenue and to

North Carolina farmers survey a field of tobacco

discourage smoking.

The heavy tax burden on US smokers, who are increasingly concentrated at the poorer levels of society, are deeply worrying the growers and the cigarette industry. According to Mr James Johnston, the new chairman of R.J. Reynolds, the second largest US manufacturer which is based in Winston-Salem, this year's 25 cent a pack tax in California caused RJR's sales in the first half of this year to fall 12 per cent in that state. "We're at the point," Mr Johnston says, "where every significant tax increase is having a very negative impact."

With the long-term outlook so grim, the financial markets now regard the tobacco industry as overcapitalised. Last year, a group of New York financiers bought out RJR's public shareholders in a $25bn leveraged buy-out. They replaced RJR's equity capital with voracious high-interest debt.

The big manufacturers can make a 35 per cent profit on every cigarette

The buy-out is already having its impact in North Carolina. In Winston-Salem, more than 2,000 employees have been laid off or encouraged to leave as management struggles to cut costs and conserve cash for its interest payments. RJR also stayed away from the tobacco auctions in Wilson at the beginning of the season, worrying many growers, though the company's buyers have since been active in the sheds.

An attempt in London to perform a similar leveraged buy-out of BAT Industries, owner of Brown & Williamson, appears to have failed for the moment. But there is no doubt of the outlook for tobacco. "This is a declining industry," says Mr Johnston.

But it is a very large and awesomely profitable industry. The big tobacco manufacturers can make a 35 per cent profit on every cigarette they make, and they made 563bn for home consumption in 1988.

Unless the domestic market declines more rapidly than its current 2-3 per cent a year, there will still surely be a large US market at the turn of the century.

It can also be a profitable crop for the grower. Since the cigarette makers agreed to buy out the immense stocks of flue-cured tobacco Stabilization had bought in at auction through its price-support actions, the overhang of inventory has shrunk (to 85.3m pounds at the start of this season) and prices have firmed. Tobacco is now by far the most profitable legal cash crop in the US, yielding the farmer some $3,000 in gross income an acre, according to Mr Bruce Flye, who farms 1,200 acres, including 77 acres of tobacco for himself and other quota-holders near Battleboro in the east.

"People around here have diversified into chickens and turkeys and sweet potatoes," he says, "and I grow corn and soy beans. But they only do it because it is better to pay your men to pick up dead chickens every morning instead of doing nothing until the tobacco comes in. There's no doubt what pays the bills round here and that's tobacco."

For Mr Flye and other growers in the east, the big issue is labour. Mr Flye, who employs eight men full-time at $4 an hour, says he cannot compete with the fast-food industry let alone new manufacturing plants in the east. For the tobacco harvest, he employs a group of Mexican migrant labourers who have come to his farm for the last four years as they work their way up from Florida on different crops. But the recent amnesty for migrant labourers working illegally in the US will open up jobs for these people outside the farm economy.

"Many farmers cannot get labour," he says. The result will inevitably be greater use of mechanical harvesters, a greater use of capital, larger farms, fewer family farmers. The industry, ranging from Mr Flye to Mr Fred Bond, chairman of Stabilization, and Mr Johnston of RJR, has far from given up hope. These men are banking on export markets, above all in the increasingly affluent Far East, as a means of guaranteeing the American industry's future.

Mr Johnston also believes that new technology could diminish political opposition, though the company's costly new Premier cigarette, which all but eliminates smoke from the tip, was a costly flop in test markets. Everybody says that the 50m US smokers are a powerful potential force, if only they could be organised. But nobody knows how.

FOREIGN INVESTMENT

Flood begins to ease off

IN A SHOPPING mall in southern Charlotte, there is a German delicatessen that would do justice to a corner of Milwaukee. It is run by a young man from Münster, West Germany, and on a recent morning, quite a few people were there eating cake and talking German.

This should not be much of a surprise. According to a study by the North Carolina offices of the international accountancy firm, Peat Marwick, there were no fewer than 32 West German companies with their main US offices in the city at the end of last year and 14 Swiss companies. And all this in a city of fewer than 400,000 people in a medium-sized state.

The 1980s have seen a flood of foreign investment into North Carolina. Foreign companies are now siting headquarters or building manufacturing plants at an annual rate of $1bn in new investment last year. According to the state Department of Economic and Community Development, there are some 556 foreign companies doing business in North Carolina. Just under half of these have their US headquarters in the state.

These companies range from technology companies with subsidiaries in Research Triangle Park, such as Burroughs-Wellcome and Glaxo of the UK, Northern Telecom of Canada, Rhone-Poulenc of France and Sumitomo Electric of Japan, to financial services companies in Charlotte such as Royal Insurance of the UK and the outposts of foreign textile, tobacco and pulp and paper companies. They employ perhaps 150,000 of the state's workers and generate about a fifth of the exports.

But as the 1980s draw to their close, there are signs that the flow of investment from overseas may be slowing down. This is, first, because North Carolina's booming economic growth is itself coming down. Second, the dollar exchange rate has moved up against the major European currencies and the Japanese yen and this has reduced the attraction of the US, not just North Carolina, as an export manufacturing base. Third, and most interestingly, foreign executives are becoming worried about a possible labour shortage in the state.

In its annual survey of foreign companies with US headquarters in the state, Peat Marwick found the quality and supply of labour was uppermost in businessmen's minds in 1987 and second to the exchange-rate issue last year.

The high level of foreign investment has its roots in the 1950s when Governor Luther Hodges started promoting manufacturing opportunities to European companies as a means of diversifying the low-wage economy. These were the early days of Research Triangle Park. The campaign gained steam in the 1960s and 1970s but only really took off after the 1981-82 recession.

Foreign businessmen in North Carolina like to talk about the state's advantages in terms of its small towns and pleasant suburbs, the strong banking industry, lower corporate income taxes, a helpful state bureaucracy, even the number of golf courses. Some foreign companies, most notably in the textile industry, simply acquired a North Carolina base and a set of labour and banking relationships through an acquisition. But those who choose North Carolina for a manufacturing site seem to do so for two main reasons: the state's market position and the quality of its labour force.

In terms of the market, North Carolina has been growing much faster than the union as a whole since 1983, with a real growth rate of 5.5 per cent a year against 4.1 per cent for the US. The state is also tied into a transport network that covers the south-east, which is expected to enjoy faster income growth than any other US region for the next two years.

The main road links are Interstate 95, which runs up the coast, Interstate 85, which crosses the industrial section of the south-east from Montgomery, Alabama, up to Richmond, Virginia, and Interstate 40 which crosses the Appalachians into the west. Alongside the big trucking industry are the rail freight networks operated by CSX and Norfolk Southern. And two major airlines have made North Carolina airports the hub of their south-eastern routes: US Air in Charlotte and American Airlines in Raleigh-Durham. There is direct air service to London and Paris, a cosmopolitan touch which North Carolinians do not fail to mention.

Cheap labour, which originally brought the northern textile industry south to the Greensboro and Burlington regions, remains cheap. Average wages have grown much faster in North Carolina during the 1980s than in the US as a whole, but from a base that was miserably low. According to the Department of Economic and Community Development, the average hourly manufacturing wage was $8.44 in August, as against a $10.45 US average. For new businesses, cheap labour has the additional advantage of keeping building costs down. According to F.W. Dodge, which publishes a comparative cost index, building costs are 23 per cent below the national average.

The state government of Mr James Martin is less aggressive than its predecessors in advertising wage-cost benefits and the low level of union representation. It prefers to stress the skills and productivity of the 3.6m workforce and the remarkable community college system, which will certainly be crucial to providing the higher skills required in manufacturing. But there must be some point at which the very low unemployment rates in North Carolina will cause serious shortages and drive up wages.

Mr Dan Friel, an economist at NCNB, says the unemployment rate has crept up to about 4 per cent, from the exceptionally low 3.3 per cent of 1988: in construction, for example, employment is declining, especially in the Raleigh-Durham area and some resort areas which are overbuilt. But a 0.7 per cent difference is neither here nor there when economists used to believe that 6 per cent marked full non-inflationary employment.

So far the labour shortages are being felt most severely at the very bottom of the wage scale and on the tobacco farms in the east. Indeed, manufacturing businesses in the eastern counties, such as Pitt County or the Kinston area, say they have a big surplus of applicants. But in Charlotte, business people are more anxious about the supply of qualified labour. The slower growth forecast for the state this year and next may end up as a partial blessing to foreign investors, if it provides a breathing space for the labour market.

James Buchan

Karen Zagor explores Research Triangle Park

Favourable climate for learning

ROLLING HILLS, clusters of pine trees and the occasional jogger rarely bring to mind science and industry, but scientific research and development is the mainstay of the businesses in the lush surrounds of Research Triangle Park.

It was here that Burroughs-Wellcome developed AZT to combat the Aids virus, here that IBM, with its 10,000 employees, works on personal computers, here that Glaxo has its US headquarters.

Other big names on the list of about 50 companies in the 6,700-acre park include Becton Dickinson, Ciba-Geigy, Harris Semiconductor, Rhone-Poulenc and the federal government's Environmental Protection Agency.

The Park's weekly paper even publishes its own Triangle Business stock index which includes GTE, ITT, IBM and Westinghouse.

The area is shaped by the three high-ranking US universities which make up the points of the triangle – Duke in Durham, North Carolina State University in Raleigh and the University of North Carolina, Chapel Hill. The universities, and nearby Raleigh International Airport, with its American Airlines hub, have attracted businesses from around the world.

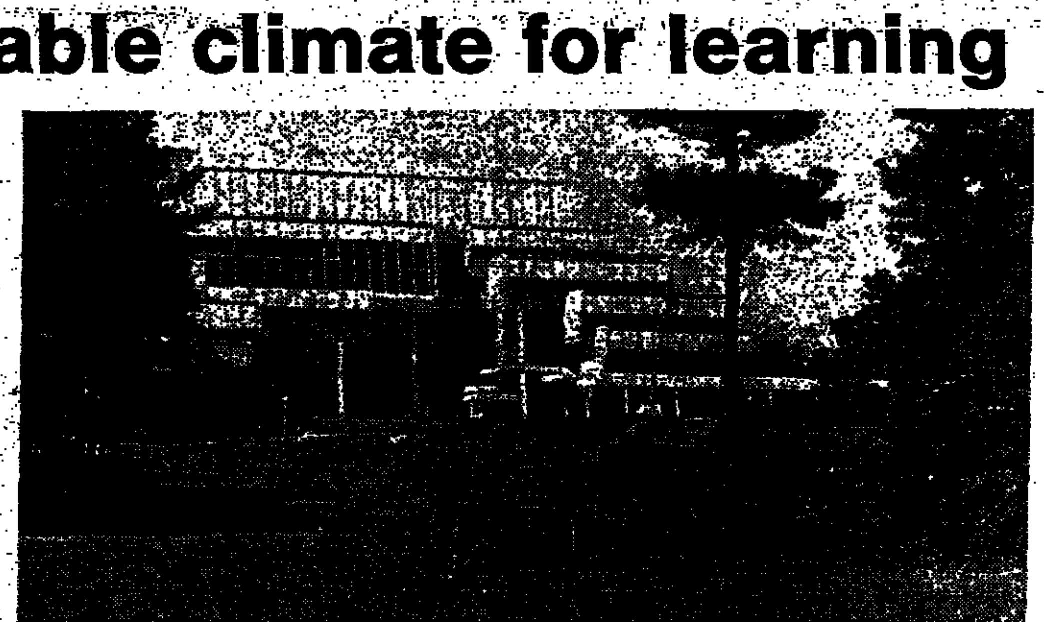
Research Triangle Park was launched in 1959 on $1.5m, raised by Mr Archie Davis, then chairman of Wachovia Bank. Mr Davis was also responsible for ensuring that the Park was chartered as a non-profit corporation. The foundation supports itself on profits from land sales.

The Park's first big coup was in 1965, when IBM set up shop with its data communications operation. IBM helped put Research Triangle Park on the map. It remains the Park's largest employer.

"IBM works in a very favourable business climate in North Carolina, and our people enjoy an extraordinary quality of life here," said Mr Richard Daugherty, IBM's general manager at the Park. "North Carolina has been a good climate in which to grow."

Mr Daugherty's sentiments were echoed by Mr Thack Brown, director of public affairs for Burroughs-Wellcome. "Moving to the Park has got to be the best decision we ever made," he said.

The decision to move south from Wellcome's original US headquarters in Tuckahoe, New York, was made in the 1960s when the company needed to expand. After nothing appropriate was found within 60 miles of Tuckahoe, the search was widened to include all of the eastern half of the US. North Carolina was chosen partly because the company's young researchers would feel comfortable raising their families there.



Burroughs-Wellcome headquarters: AZT was developed here to combat Aids virus

Wellcome moved into the Park in 1970 with about 250 employees; it now employs about 17,000 with another 15,000 in its manufacturing plant in Greensville.

"In Tuckahoe we were so cramped we had to hold back our sales force because we could not produce quickly enough," said Mr Brown. "People come here willingly and leave unwilling."

The clutch of nearby universities attracts doctors and academics alike. "We have an arrangement where people work two thirds of the time with Burroughs-Wellcome and one third with a local university," said Mr Brown. "We get a better calibre of person than if we were only a pharmaceuticals company."

On paper, one of the Park's main attractions should be the mix of top minds working close to each other in a stimulating intellectual and social environment. The set-up, however, seems to achieve the opposite. Casual contact is an effort. There is no central cafeteria, no health club, and no golf course. Although there is a bank, a post office and several hotels in the Park, no-one lives there.

The isolation does have some advantages. According to Mr Harvey Goldstein, a professor at the University of North Carolina, who recently finished work on a Ford Foundation study of the Park's regional economic impact, the separation deters talent raids by other companies, which is common in California's Silicon Valley. "There is very little turnover in the Park," said Mr Goldstein.

The Park's influence on the immediate area in enormous. Mr Goldstein said it is responsible for about 52,000 jobs which otherwise would not exist. The Park has helped the state's image as a centre of learning and this should be beneficial eventually for the whole region.

Nonetheless, there is some question whether the Park has been successful in its original aim of "furthering the development of the state of North Carolina".

"The original impact has been fairly localised, disappointingly so in terms of the original plan," said Mr Goldstein. Mr Frank Goldsmith, a lawyer in the mill town of Marion, located in the foothills of the Blue Ridge Mountains, laughed and shook his head when asked if the Park had benefited his town.

Mr Goldstein attributes the growth restraints to the overall low levels of education outside the immediate area. "In terms of high-tech manufacturing, you need a well-educated work force," he said.

Although about 24 per cent of the population within the Triangle area is college-educated compared with about 16 per cent nationally, North Carolina's overall level of education is below the national average. A 1980 census showed only 12 per cent of the state's population had completed at least four years of college education. At the high school level, 55 per cent had completed four years of education compared with 67 per cent for the nation. It is said the state invests heavily in university education but only meagre amounts at the secondary level.

One of the main aims of the Park was to stem the exodus of the state's university graduates. The survey found that an estimated 48 per cent of the Parks professional work force is recruited outside North Carolina. On the other hand, only 17 per cent of the non-professional jobs in the Park are done by outsiders.

Property prices in the area have soared, an added attraction to investors and those working in the Park but a problem to local residents whose salaries are often below the national average.

The Park's bucolic setting is fiercely protected by the area's zoning provisions. Although there is no limit to building height, a covenant dictates that "no more than 15 per cent of the total area of a tract shall be covered by buildings." As a result, there are very few small companies within the Park because the zoning regulations make entry costs prohibitively high.

There are also strict statutes limiting manufacturing and pollution within the Park. As a result, most companies have manufacturing plants outside the Park's boundaries. "In time this will be an *oasis in an* urban area," said Ms Elizabeth Aycock, one of the original two employees of the Research Triangle Park Foundation.

JOHN MOORES LIVERPOOL EXHIBITION

A picture of health

William Packer on a welcome return

The John Moores Liverpool Exhibition has come round again for the 16th more or less biennial time, and the first thing to say is how welcome it is. Back in the late 1950s it blazed the way for the generous, enlightened and, above all, practical encouragement of contemporary painting in Britain, and almost at once it became the focus of ambition for serious artists of every kind.

So it remains other competitions have come and gone, and even outstripped it in actual prize money. A total purse of £25,000, with £14,000 as the first prize, is hardly pin-money, even in these inflated times, although it is no longer exceptional.

Yet still the John Moores is the one most British painters would most like to win, or at least most like to be in.

But even the most respected and established of institutions may lose a little of its confidence in itself, and the whisper had been heard in the art world that all was not well in Liverpool.

Sir John Moores and his family were still committed in support of their open exhibition, but the Walker Art Gallery, where the show is always held, had lately lost its director and, though housing a collection of truly national standing, had been merged administratively with the local Merseyside Museums.

Was the Moores still the priority and matter of local pride it had always been? There is a sense of real relief at its reappearance.

One great change this time is in the presentation of the show which, with the rehanging of the permanent collections in the further and more modern rooms, now fills the galleries to the front that previously held the 18th and 19th century British collections. These rooms are the smaller, but they run well together and the show is admirably hung.

Whatever one's reservations about the particular choice, each work is sympathetically presented to speak for itself on its own terms.

When one considers the overall impression, it is important to remember that the value of such an exercise lies not just with the particular, but with the general picture it presents.

If the current state of British painting is parlous or merely doubtful, so be it. A good John Moores is one that is useful, informative and truthful, though not necessarily the best in absolute terms.

The 16th Moores is not, of course, an unqualified success. Any open exhibition is necessarily the creature of its submission and then of its selecting jury. The Moores jury is always published well in advance, and it is a matter of common experience that this too has its effect.

I have long thought that its composition should be made known only after the submission is closed, but the argument has always been that artists would rather know the worst beforehand.

This time, at something over 1,900, the submission was significantly down, but I shall not be so ungallant as to suggest that a jury of three women to one man had anything to do with the shortfall. In the event the jurors can only choose from what is submitted to them.

This year, for whatever reason, most of the big names, Hoyland, Hodgkin, Jones, Caulfield, Proctor, Bellany, Hambling, Ayres, are conspicuous by their absence.

And while the preponderance of expressionism and loosely expressionist abstraction may again be a function of the jury's known sympathies, it is also true that much of the best painting being done falls within those categories.

The more direct the figuration, the more disappointing it is, with illustrative affectation or inadequacy the alternatives.

In such company, Susan Rossberg's photo-realist composition, "Map", worked with real painterly sensitivity, shines out like a beacon on a dark night. She was not the only figurative painter to win a prize, but was alone in deserving one.

But among the 55 paintings that make up the show, not quite the smallest ever, there are plenty of real distinction.

Of the entirely abstract works, the large, dark Anthony Whishaw is outstanding and clearly unlucky not to win a major prize, and it would be as easy to argue that the even larger Basil Beattie, which did win the £4,000 second prize, was equally unlucky. Albert Irvin, Madeleine Strindberg, Mali Morris, John Maclean and Jeffrey Dellow all show strongly.

Of those who move towards some more obvious reference, Michael Bennett, who won a minor prize, Mario Rossi, Brian Chalkley, Ian McCulloch and Tricia Gillman are notable, and it is good to see Adrian Henri in again after a long absence, to fly the flag for his native Liverpool.

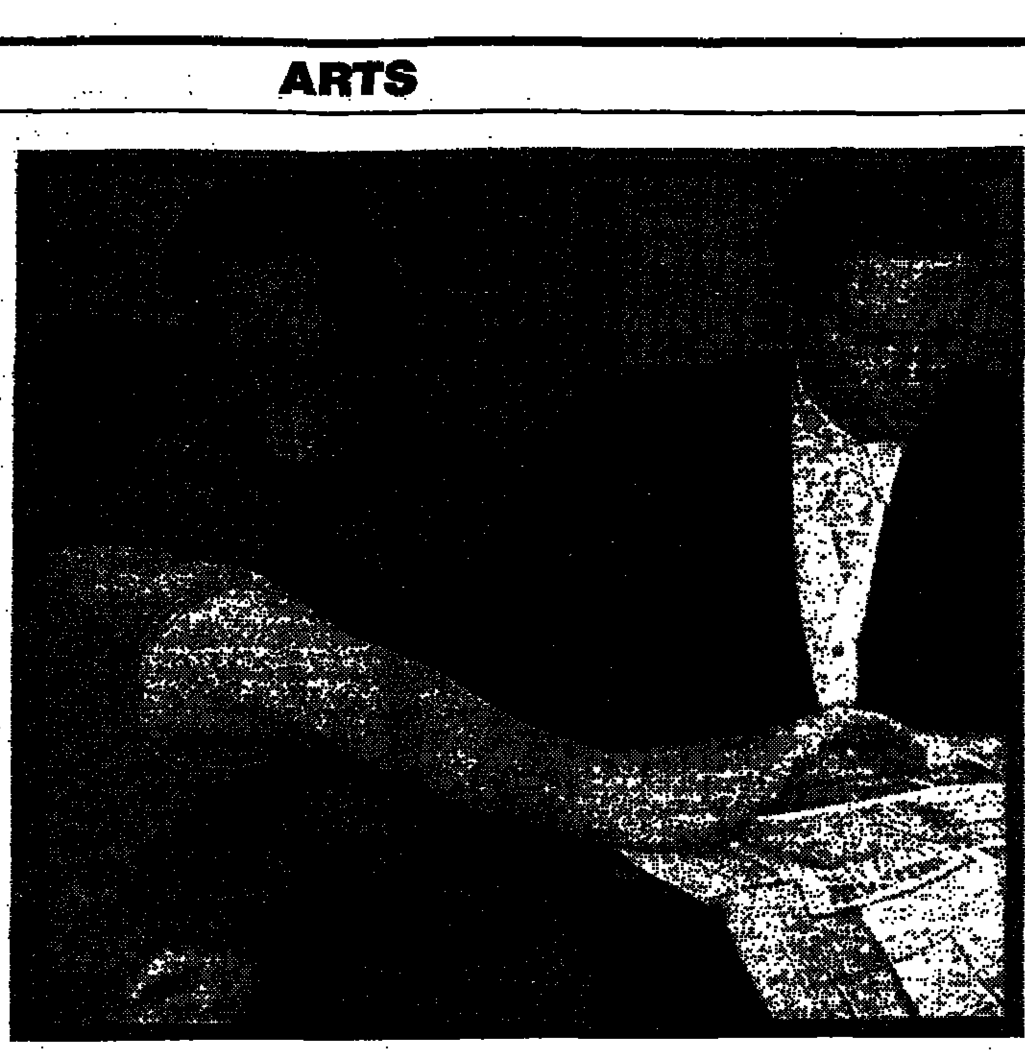
The major prize went to Lisa Milroy for yet another of her large inventory paintings, this time one of 16 variations upon the antique brass or silver handle to a chest of drawers, set out 4 x 4 upon an ample white ground.

In this sense she is an one-idea artist, though her pictorial lists must by now have run through her entire wardrobe and domestic establishment.

Was her success an exercise in positive discrimination, for she is undoubtedly the first woman to win the prize outright? I should hate to think so, if only for the doubt it would cast, with the several distinguished entries from other women, upon the jurors' judgment. But Miss Milroy is perhaps the most widely known and successful of the women in terms of exhibitions and works bought for major collections.

It is by no means the first time that the prize has gone to a reputation rather than the best picture in the show. And a John Moores jury is not alone in facing so understandable a dilemma, and a compromise at the last decision.

It is no imputation of bad faith to say that, on the strength of the intriguing exhibition they themselves have chosen, the jury then got it wrong. But theirs is the decision and the responsibility, and it is not done to argue with the referee. This John Moores is not outstanding, but is worthy of its predecessors.



Susan Rossberg's photo-realist composition "Map"

Nash Ensemble

WIGMORE HALL

AT 25 years of age, the Nash Ensemble is as old as some of its players. And as young. Each of its six concerts at the Wigmore Hall over the next six months is to open with a different new "birthday" work, commissioned from a composer already associated with the Ensemble. On Saturday night, at the first of these concerts, the premiere was Nigel Osborne's *Zone*. Could any composer today show Nash virtues to better advantage? It often seems that Osborne's instrumentation is as brilliant as anyone's since Mahler. *Zone* draws a wonderfully picturesque array of sonorities from just five instruments – violin, viola, cello, oboe, clarinet – and in less than ten minutes.

The remainder of the programme was drawn from French music, which has been as important a feature of Nash music-making as new scores. Joseph Guy-Ropartz's *Prelude, Marine et Chansons*, for flute, string trio and harp was new to me. The blithe elegance of its sound-world recalled Fauré, and its sweet fabric of melodic lines made Ropartz seem an appealingly Gallic Vaughan Williams. Marcia Crayford and Christopher van Kampen played Ravel's Sonata for Violin and Cello. Their close colloquy was at its finest in the last movement, so matched in tone that at moments they were indistinguishable.

Thomas Allen was the distinguished guest for Ravel's *Chansons madécasses* and Poulenc's *Le Bal Masqué*. His firmness of line and tone and the slight vibrancy of his baritone bring a powerful virile tension to these works that is very welcome - as with his Pelléas. In the first two Ravel songs, I will remember in particular the hushed desire with which he stressed the name "Nahandove," and the sense of threat throughout *Aoua*, the second song. But there was a brief lacuna while he turned two pages instead of one, and in general the communicative edge of these songs was dimmed while he read them. In the third song he lifted his eyes more often to the hall, and made more of Ravel's drama of the syllables. The line *"La danse est pour moi presque aussi douce qu'un baiser"*, very gentle uttered, was a magical achievement, hauntingly spun.

Allen, Friend and the Nash Ensemble made a fine recording of *Le Bal Masqué* four years ago. Saturday's account – for which Allen and Friend wore berets – was even more vivid. Singer and players alike relished the bright solo opportunities that Poulenc's profane cantata affords to all its contributors, and delivered it with high-precision team co-ordination. Beneath the music's jaunty urbanity lie many different colours; I was never more aware of them than on Saturday. *Many happy returns.*

Alastair Macaulay

Heinrich Schiff

WIGMORE HALL

This is a busy week for cellists. While Rostropovich is playing orchestral concerts in London, the city's Wigmore Hall fielded for its recital on Sunday evening the highly-respected Austrian cellist Heinrich Schiff, a fine player who works with exemplary skill and musicianship within his own admittedly more circumscribed artistic boundaries.

The Russian cellist has not to my knowledge played the Schnittke Sonata (1978) in London, but one wonders what he might make of so powerful a piece, rooted deeply in the Russian musical tradition. In this work Schnittke opens the box of ideas left by Shostakovich and lets the contents fly with demonic force – a slow movement that plunges into an abyss of despair, a scherzo that runs wildly out of control and finally crashes in confusion.

In the Russian performances I have heard the music has been attacked with an animal-like ferocity. Schiff's way was very different. The music was first superbly played, with every note in the most daunting passages sounding to be exactly in place; and where others have found only the extremes of the expressive compass, he explored every layer in between. The opening of the final Largo, a long singing line of grey introspection, was a marvellous piece of playing.

The recital was framed by two Beethoven sonatas, Op 102 No 1 and Op 73. It may be that the challenge of the Schnittke had influenced those as well, for the accompanist, Paul Gulda, invested the music with a diversity of sounds from violent accents to a near-impressionist softness of textures (my own preference would be for a stricter classical style). But Schiff himself again gave the impression of having satisfied all that the music had to say without venturing into foreign stylistic territory.

The programme was completed by Schumann's three *Fantasiestücke* Op 73, which were played with a delightful spontaneity and early romantic palette of colours.

Richard Fairman

Just Like Home

KING'S HEAD THEATRE CLUB

Pieter-Dirk Uys is well known in this country for his one man show *Adapt or Dye*, a subversive look at his native South Africa. His latest play – premiered at the Johannesburg Market Theatre in March, seen at Edinburgh this summer – is one of 29 stage works, however, and has subtler touches than might be expected from a comic satirist.

After 12 years in NW1, Cape Coloured Cathy has decided to return to Cape Town with savings accrued from cooking in the Indian restaurant managed by Gupta, a tenant in the same house with a romantic fondness for her.

Gupta, earnestly well-spoken, is suspicious of her friend Hector, a young actor who left South Africa after alleged ill-treatment during his military service, a trifle over-emphatic in his liberal principles and just possibly a spy.

On the eve of her departure, as she dreams of returning to her homeland, an independent woman with a down payment for a place of her own, Cathy's happiness is shattered by the appearance of her nephew, on the run from the South African authorities and presumed dead by the family.

Layers of illusion and delusion are gently peeled away with affectionate irony. The ambiguities and ambivalence of South Africa which outsiders hardly understand are pointed out. Cathy's gratitude is unshakable to the wealthy family that first brought her to England as a servant, took her to Covent Garden and Ascot, and enabled her to stay her own woman at last.

Equally, there are scathing remarks about liberal South African expatriates, that rum lot who prove their liberalism by transferring to a country where they can sneer at the majority native population because it's merely white (yet deign to mix with it, thus establishing liberal credentials twice over); and about the opportunist liberalism of expatriates in general.

The play falls uneasily into two halves; the first part a sitcom that does not quite take off, the second providing stronger dramatic meat. This is reflected in the performance of Shaleen Surtie-Richards as Cathy.

A plump, coffee-coloured hen, wheezing, cackling and bustling, her character is at first as anodyne as a lovable Jewish matron as seen, for example, by Arnold Wesker.

She seems unaware, or at least incredulous, of possible atrocities in South Africa; comments merely that "rioting must have messed up so many pretty little gardens"; and is preoccupied with her *rentrée* in hat and fun fur "looking like Joanie Collins."

By the end of the play, forced to confront her society's problems in her own London flat, she talks of the "gutters *running red*" *over the years*. It is uncertain whether this has come as a revelation; whether she has deliberately avoided admitting what she has known all along; or the playwright has switched from creating a character to using a mouthpiece.

Miss Surtie-Richards, at any rate, having jollied us up for the first part of the play, is powerful and moving in Cathy's distress: a strong actress masquerading as a comedienne.

The author's direction evokes uniformly good playing – from Mark Faith's Hector, the white expat actor who has it so easy, from playing SA brutes on television to getting a British passport; from Royston Stoffels' pedantic, concerned Gupta; and from Paul Savage as the militant nephew, the most complex and rewarding character in the play.

Martin Hoyle

Shaleen Surtie-Richards in *Just Like Home*

Heartlanders

BIRMINGHAM REP

In a stranger arriving at New Street station, the idea of Birmingham's centenary is more likely to raise a resigned sigh than a celebratory whoop, but some 300 Brummies are currently doing their damndest to change all that. One approaches this massive community play prepared to have eyes dramatically opened to the joys that lie entombed somewhere in the grizzly maze of subways and office blocks, in the faith that if the combined persuasions of writers David Edgar, Anne Devlin and Stephen Bill fail, then there is no hope.

Perplexingly, there is no obvious attempt at persuasion. *Heartlanders* could be set anywhere in urban Britain, a fact underscored by the fact that not one of the central characters is actually a heartlander: they all begin the play at Digbeth bus station, where each has arrived on his or her personal search.

What they find in Birmingham is a melting pot of class, race and culture. Aan's story takes him into the city's Asian community, still clinging on to its ethnic pride even after its daughters have eloped with English boys. The comically up-tight Margaret is led by Jamaican Joel through a grimy underworld of nightclubs and council shelters, while Rose, a sweet and heavily-pregnant Irish ingenue, is guided by the avuncular Welshman Tom through ante-natal classes and threatened miscarriage to the birth of the city's future. It is an urban fairytale which ends on sacramental and egalitarian high with the celebrations of Diwali and Christmas.

The thesis of the piece – that there is no such thing as your typical Brummie – makes an important point about Britain of the '80s, which cannot be too often repeated. It might have had a more direct relevance to Birmingham itself had the design of Chris Parr's production been less of an advertisement for the Rep's technical department and more a reflection of the city's own diversity.

My brief walkabouts have never yielded such monumental elegance as Digbeth bus station according to Gavin Davies. Not only does this glossy over-design preclude any sense of environment, but it slowed the show, particularly in the over-long second act when one has stopped marvelling at the set itself (and at the fact that no one falls off its considerable heights).

As a feat of crowd management, it is courageous, colourful and occasionally awe-inspiring; the writing is variable and variably delivered, reaching its peak in the relationship of Margaret (Lynne Matthews) and Joel (Sebastian), a generous and touching triumph of humanity over predictable Thatcherite stereotyping. But, stumbling out into the benighted city with the rest of the pitifully sparse Saturday-night audience, I felt no more enlightened as to the merits of Birmingham – or the whereabouts of its sisters and its cousins and its aunts.

Claire Armitstead

Celebrity Recital

BARBICAN HALL

One of the Barbican's Celebrity Recitals was given on Sunday by the unsnappily named (New York-based) Kalichstein/Laredo/Robinson Trio – pianist, violinist and cellist respectively. They played three masterpieces to a modest-sized audience, and played them beautifully; yet a quality of chamber-musical intimacy and intensity was lacking in the Barbican Hall.

First came Beethoven's Trio in B flat Op. 11, an early, light-boned, but utterly satisfying work (originally cast as a clarinet trio) which received a performance of the highest degree of finish. "One of the best blended . . .piano trios in the world today," the New York Times said of the group, according to their biographical note, and it would indeed be hard to imagine a better blendedness of tone than theirs. They find their suave phrases with the greatest impression of ease, they produce consistently beautiful tone - smooth, golden and heartwarming.

This very accomplishment let them down somewhat in Shostakovich's Piano Trio No 2 *in E minor, where* they failed sufficiently to register the rawness of emotion, the expressive grotesquerie, the stark pain which characterises the four brief and bleak movements. The ironic fusillades of the two fast ones made their effect – helped by splendid *spiccato* bowing from Jaime Laredo in the Allegro non troppo first of them – and the tragic imperturbability of the Largo's chordal passacaglia was caught; but shades of Shostakovich's meaning definitely eluded the players.

They were comfortably at home, however, with Brahms's B major trio, Op 8 No 1, the spacious lyricism and assuaging tonal mixtures of which suit them ideally. Here were fine opportunities for the players to display their talents separately as well as in perfect conjunction – Sharon Robinson's cello solo in the Adagio was memorable, Joseph Kalichstein's piano-playing had always those Brahmsian virtues of crispness, compactness and yet fulsomeness. It was altogether a flawlessly rounded performance.

Paul Driver

ARTS GUIDE

October 20-26

OPERA AND BALLET

London

Royal Opera, Covent Garden. The latest revival of the 1975 *Peter Grimes* brings a promising cast of newcomers – Philip Langridge in the title role, Felicity Lott, Donald McIntyre, Sarah Walker and Stuart Kale – and Roger Norrington as conductor. *Die Walküre*, in the production by Götz Friedrich adapted from his Berlin staging, is distinguished above all by Bernard Haitink's magnificent conducting and the vocally unsurpassable Wotan of James Morris.
English National Opera, Coliseum. Kurt Weill's marvellous Broadway opera *Street Scene* comes to London after being shown by Scottish Opera earlier in the year. David Pountney's production, designed by David Fielding, is conducted by Carl Davis; the cast includes Kristine Ciesinski, Janis Kelly, Bonaventura Bottone and Richard Van Allan. Further performances of the surreal, vividly theatrical production of Verdi's *A Masked Ball*, by producer David Alden, designer David Fielding and conductor Mark Elder, with Arthur Davies, Janice Cairns, Jonathan Summers and Linda Finnie in leading roles; and of the funny, musically delightful *The Magic Flute*, conducted by Alex Ingram, with Thomas Randle, Joan Rodgers, Nicholas Folwell and John Connell.

Paris

Théâtre de la Ville. Trisha Brown Dance Company presents, aspart of the Paris Autumn Festival *Son of Gone Fishin', Newark, Glacial Decoy* and *Astral Convertible* (42742277).
Opéra. Jiri Kylian opens the Paris Opéra season with *Tanz-Schul* to Mauricio Kagel's music and *Sinfonietta* to Janacek's music accompaniedby the Paris Opéra Orchestra conducted by Arturo Tamayo(47425371).

Amsterdam

The Netherlands Opera with *Ariane et Barbe-Bleu*, by Paul Dukas, directed by Philippe Sireuil, with the Netherlands Philharmonic conducted by Henry Lewis. Kathryn Harries and Roger Soyer in the title roles (Fri, Mon, Thur). The National Ballet with a Frederick Ashton programme of *Midsummer Night's Dream* and *Symphonic Variations* (Tue, Wed). Muziektheater. (255 455).

Vienna

Staatsoper. Kabuki-Theatre from Tokyo.
Volksoper. The week's performances: *Eine Nacht in Venedig*; *Die lustige Witwe*; *Mignon*; *Wiener Blut*; *Der Zigeunerbaron*; *Cosi fan Tutte*; and *Die Fledermaus*.

Berlin

Opera. *Arabella* expertly conducted by Guseppe Sinopoli was well received, when it opened last week with Lucia Popp in the title role, Angela Maria Blasi, Bernd Weikl, Peter Seiffert and David Griffith. *Zar und Zimmermann* is a well done repertoire performance. *La Bohème* in Götz Friedrich's production has Eva Johansson making her debut as *Mimi*, and Andreas Schmidt, Gwendolyn Bradley, Rald Lukas in other parts.

Bonn

Opera. Last season's successful Marco Arturo Marelli's *Madame Butterfly* production returns with Keiko Kamegawa, Chieko Shirasaka, Lando Bartolini and Ludwig Baumann.

Frankfurt

Opera. *Behind the China Dogs* has choreography by William Forsythe and Amanda Miller. Forsythe's ballet *Isabelle's Dance* is revived. *La Finta Giardiniera*, the first new production this season, by the Canadian producer Robert Carsen will be conducted by Frankfurt's director Gary Bertini. The cast includes Werner Hollweg, Pia-Marie Nilsson, Douglas Johnson, Margaret Marshall, Alicia Nafe and Sonia Theodoridou. Also offered *Un Ballo in Maschera*.

Cologne

Opera. The first co-operation between the Düsseldorf Opera and Cologne Opera will be the new Wagner cycle produced by Kurt Horres. The premiere of *Das Rheingold*, conducted by Hans Wallat has a strong cast led by Hanna Schwarz, Anne Gjevang, Beatrice Niehoff, John del Carlo, Matthias Hoelle, Martin Finke and Eiter Schweikart. *Die verkaufte Braut* rounds off the week.

Rome

Teatro dell'Opera. Alvin Ailey's American Dance Theater.(8 46.17.55).

Milan

Teatro Alla Scala. The Bolshoi State Opera on tour with Prokofiev's *Duenna*, and Mussorgsky's *Boris Godunov* (80.91.26).

Florence

Teatro Verdi. The Scala production of *Don Chisciotte*, withchoreography by Rudolf Nureyev, danced by the MaggiodanzaCompany (212320).

New York

Metropolitan Opera. Julius Rudel conducts *Il Barbiere di Siviglia* in its first seasonal performance with Marilyn Horne, Stanford Olsen and Gino Quilico in Sonja Frisell's production. The week also includes Franco Zeffirelli's new production of *La Traviata* featuring Edita Gruberova and Neil Shicoff, conducted by Carlos Kleiber; and Christian Badea conducting *Aida in Sonja Frisell's production* with Alessandra Marc, Stefania Toczyska and Giorgio Lamberti. Opera House Lincoln Center (362 6000).
Joffrey Ballet. A new Gerald Arpino ballet opens the three-week New York season, which also includes the premiere of a new staging of Nijinskya's *Les Noces* and revivals of Ashton's *Illuminations* and *A Wedding Bouquet* in the company's extensive repertory. Ends Nov 19. City Centre (581 7907).

Chicago

Lyric Opera. Carol Vaness sings the role of Vitella and Tatiana Troyanos is Sextus in Francois Rochaix's production of *La Clemenza di Tito* conducted by Andrew Davis. Jiri Kout conducts *Der Rosenkavalier* with Anna Tomowa-Sintow, Kathleen Battle and Julian Patrick (332 2244).
Ballet Chicago. The company's second season takes Johann Strauss's operetta as transformed by choreographer Ruth Page and danced by principals Sherry Moray, Menard Stewart and Petra Adelfang (Wed). Chicago Theatre (993 7575).
Ballet Folklorico de Mexico. Amelia Hernandez leads her company through the paces of the lively, varied, and innovative choreography of Mexico (Thur). Auditorium Theatre (922 2110).

Tokyo

Vienna State Opera. *Viaggio in Reims* by Rossini, conducted by Claudio Abbado, with Cecilia Gasdia, Lucia Valentini-Terrani, Ruggero Raimondi (Tues, Thur) Tokyo Bunka Kaikan (725 8888).
Star Dancers Ballet: *Giselle*, choreographed by Peter Wright; with Kumi Oyama, Zhang Weiqinang (Wed), Sakiko Arai, Nobu Nagase (Thurs). Yubin Chokin Hall (401 2293).

SALEROOM

Summerfield marathon

Christie's south Kensington embarked on its longest sale of the century yesterday when it started to auction off the stock of the eccentric antique dealer Ronald Summerfield under the marquee at Cheltenham Racecourse. The first session brought in £158,994, with everything selling.

Summerfield, who died last year, was a local character who filled his house with antiques which he was often reluctant to sell. He ended up buying properties in the town in which to hoard his stock. In all, there are 10,000 items to dispose of, and the eventual outcome should be £2m.

Top price yesterday was the £4,400 paid for a portrait miniature of a gentleman by Thomas Flatman. A diamond and sapphire cluster ring did well at £3,750 and a painted bronze cat orchestra of eight figures, each around 2¾ inches high, just the kind of weird object Summerfield would buy, posthumously justified his gamble by selling for £1,439. The top estimate had been £300.

An important miniature in Christie's London sale, of the Empress Josephine, by the celebrated French miniaturist Jean Baptiste Isabey, did less well, being bought in at £6,500.

A Bernini white marble bust of Pope Gregory XV is to be auctioned by Christie's in New York on January 10, 1990. It is one of three known to have been made by Bernini of the Pope in 1621, but the only one in marble. It is to be sold by the Canadian real estate man Joey Tannenbaum and should make over $1m.

Antony Thorncroft

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Tuesday October 24 1989

Dissent in Kuala Lumpur

IT IS IRONIC that Britain and the rest of the Commonwealth should be so sharply divided over South Africa at a time when almost every day brings hopeful developments, whether initiated by President F.W. de Klerk or by the African National Congress (ANC). Even as Mrs Margaret Thatcher and her colleagues in Kuala Lumpur were entering into dispute about the contents of the communiqué on South Africa came the news that the ANC would next weekend be holding its first rally inside the country for nearly 30 years, to be addressed by men recently released after a quarter of a century in jail. These events deserve a constructive and united response from the Commonwealth.

Until the British Prime Minister intervened on Sunday, it seemed that this had been achieved. The statement entitled "Southern Africa: the way ahead," which Mrs Thatcher accepted, noted that there were encouraging signs in South Africa. It held off advocating new economic sanctions (although calling for the tightening of existing measures) until April next year. A committee of Commonwealth foreign ministers would then review developments in South Africa. Mr de Klerk was, in effect, put on a six-month probation, which dates from his accession to office last month.

Four occasions

On no less than four occasions in the text was Mrs Thatcher's dissent recorded: Britain's disagreement with the view that sanctions were influencing Pretoria's policies; a refusal to strengthen existing sanctions; opposition to the establishment of an agency to report on South Africa's international financial links; and a continuing refusal to join the Commonwealth foreign ministers' committee which monitors events in South Africa.

At this stage, both parties had compromised. Mrs Thatcher opposed any detailed approval of an ANC negotiating document presented in Harare in September. Commonwealth leaders pointed to paragraphs which attributed change in South Africa to a combination of internal and external pressures – seen as a code phrase for sanctions.

It was perhaps this interpretation which prompted the British Prime Minister almost immediately to issue a separate statement on southern Africa. Given that Britain's dissenting voice had already been registered, it is not clear why this additional statement was thought necessary; its effect was certainly divisive.

General scepticism

The bitter argument over the communiqué may also have tended to increase the general scepticism about the relevance of Commonwealth meetings to the real world outside the conference chamber and to South Africa in particular. Any call for tougher sanctions seems academic, given that the southern African Commonwealth members have no choice but to trade with Pretoria, and the rest of the Commonwealth (Britain excepted) have negligible links. The organisation's selective morality undermines its condemnation of apartheid, for many of the heads of government preside over regimes whose flaws seldom, if ever, come under the critical scrutiny of the Commonwealth Secretariat.

Yet, limited in influence as the Commonwealth is, it seems that Mr de Klerk takes notice. He seemed to care enough about the organisation to ensure that the release of Mr Walter Sisulu and other political prisoners came almost on the eve of the Kuala Lumpur summit. Even the timing of the announcement of the debt renegotiation last week was unlikely to have been entirely coincidental.

It is also just conceivable that the good offices of the Commonwealth might yet be needed. It was, after all, the Commonwealth's Eminent Persons Group which, in the course of its visits to southern Africa in 1986, drew up what it called a "negotiating concept" designed to bring black and white South Africans to the conference table. When the furore of the last few days has died down, this concept, which was again endorsed by Mrs Thatcher in Kuala Lumpur, will remain a constructive contribution to the resolution of South Africa's conflicts.

Competition in gas

FOR THE FIRST time in seven years of government attempts to encourage new entrants in the industrial gas market, British Gas faces serious potential competition. Backed by Shell and Esso, Quadrant Gas, the newest entrant, has direct access to gas reserves and should for the first time be able to offer a significant number of industrial customers a choice of suppliers. In addition, after two years of butting heads with British Gas, Agas – an independent supplier – has roughly 2½ per cent of the industrial market provisionally contracted, and is negotiating supplies.

These welcome developments are due largely to the efforts of the Monopolies and Mergers Commission and the Office of Gas Supply, headed by Mr James McKinnon. They are also a reminder of the costs of having got the privatisation wrong. The politically convenient decision to privatise British Gas with neither an adequately articulated structure for regulation nor realistic provision for competition has made it necessary for Ofgas to alter the terms *ex post*. The consequences have been uncertainty for the customers, losses for the shareholders and dislocation for the management of British Gas itself.

The benefits of the new regime are, however, beginning to show through. British Gas has driven its hardest bargains ever in recent gas purchase negotiations. While low contract prices may be partly explained by the queue of gas discoveries waiting for development, British Gas is also facing pressure from potential competitors and cannot afford to pay over the odds for gas.

More efficiency

This competition should in time result in a more efficient industry and lower prices for consumers, but it will not happen overnight. The full benefits of competition can only be realised when a majority of industrial users have a choice of suppliers. This will be slow to develop because British Gas has contracted to purchase nearly all the gas now planned for production, while new gas supplies will become available only gradually.

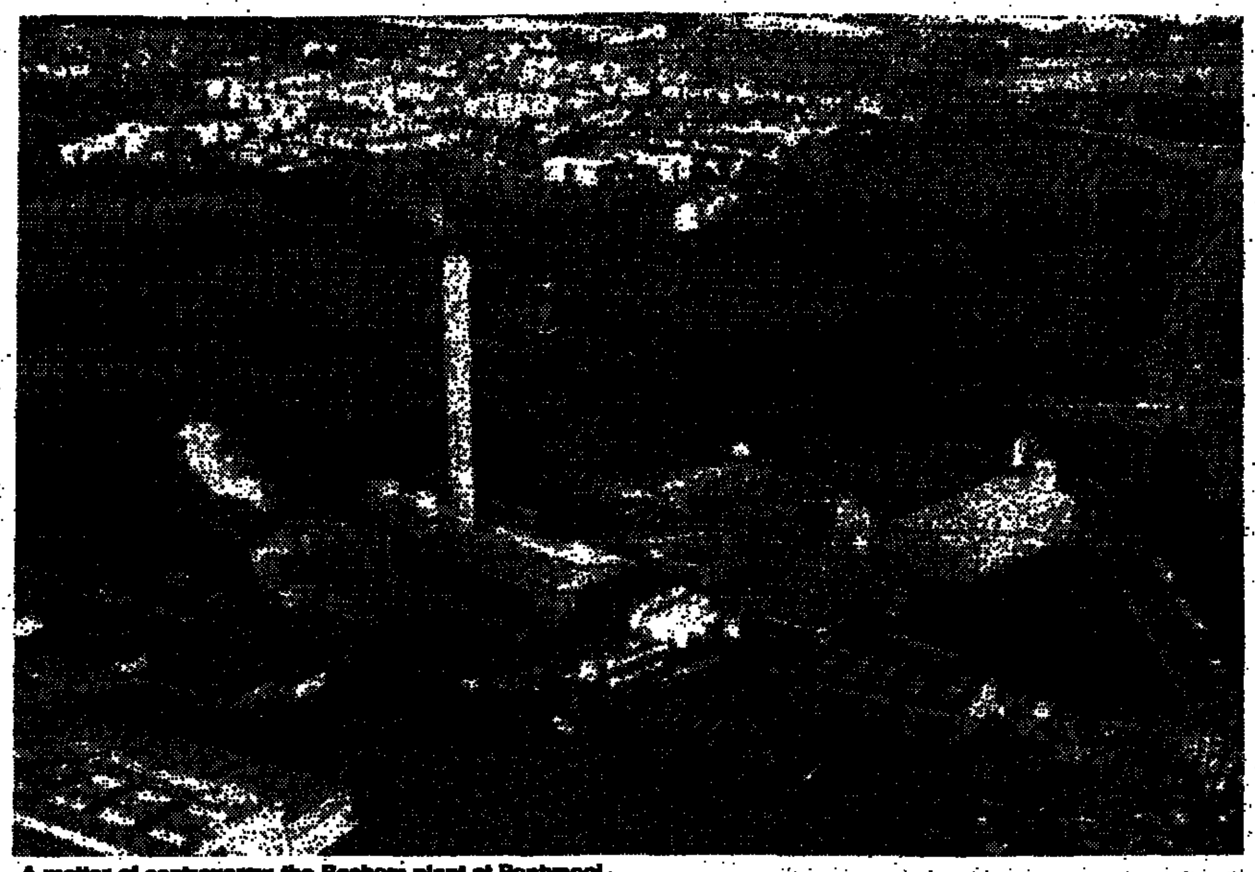
The more serious worry, however, must be the anomalous situation into which British Gas has been thrust. Its statutory obligation to supply the market already sits uncomfortably next to its duty to its shareholders, which is why a regulator is needed. Now it is being forced to give market share to its competitors.

Mr Chris Brierley, British Gas's managing director of resources and new business, alluded to this dilemma recently when he said that British Gas had to avoid setting its published price schedule so low as to avoid discouraging potential competitors. Unlike other fuel suppliers, British Gas is forced to publish a national price schedule, which allows both gas and non-gas competitors to underprice it precisely. It is supposed to compete against the other suppliers, yet its hands are tied behind its back and, until they are freed, consumers will not reap the full benefits of competition.

These restrictions are unquestionably needed to allow competitors to establish themselves in the market. In the longer term, however, the pleas from British Gas to have these restrictions removed – particularly the requirement to publish rigid prices – should be listened to. The first step would be for gas transmission services to be divorced from the rest of the business.

Effective competition

If the pipeline network of British Gas were separated out in this way, its managers would be able to contract at arms length both with British Gas itself and with other suppliers. This change could be the basis for effective competition in industrial supply and would this remedy one of the most egregious mistakes of the original privatisation. What is more, it would be in the interests of the management of British Gas itself. Unless the competitive elements of the business are separated from the monopoly elements, all of it will remain subject to intrusive regulation. Given the way the company is now being dragged by forces beyond its control, it is an alternative that must look increasingly attractive.



A matter of controversy: the Rechem plant at Pontypool

Peter Marsh looks at the problem of toxic waste disposal in a 'green' climate of opinion

Muck, brass and outrage too

Ontario, the most populous of Canada's provinces likes to think of itself as a bustling commercial centre which offers its citizens a good quality of life. It is not so keen about the 10,000 tonnes of hazardous chemical waste stored in government warehouses in the province.

The provincial government believes the only way to deal with the material *adequately is* by high-temperature incineration. But Ontario, which plans to deal with the residues itself rather than ship them out of the province, will not have a suitable plant until 1994 at the earliest.

Dr Chih Chao, a chemicals-waste expert employed by the government, hopes that the plant, planned for West Lincoln, near Toronto, will go ahead. He notes, however, that in West Lincoln people are worried about the incinerator's environmental effects and have held up construction. "If we are not allowed to build the incinerator, it's really difficult to predict what will happen," he says.

The manoeuvring in Ontario is typical of the difficulties caused by mounting volumes of chemicals waste in many parts of the world. Much of the discussion of the issue is related to chemicals-treatment incinerators, high-technology ovens as big as small factories which decompose harmful organic materials into innocuous products by burning them at about 1,000 deg C.

As concern increases in many countries about the environmental effects of waste products from the chemicals and other industries, it seems likely that more of these materials will be dealt with by high-temperature incinerators of the type planned in Ontario.

But even though many experts say that incineration is the safest way of dealing with many kinds of hazardous residues, people living near proposed incinerator plants see things differently. They cite the risks either of possible emissions of harmful gases or of spillages of materials during transport, and generally resent plans for such facilities to be sited on their doorsteps.

Ms Kathryn Kelly, president of a Seattle-based consultancy called Environmental Technology, says public opposition will be a "very big factor" in holding back the development of new incinerators.

In the US and western Europe, an estimated 3m tonnes of hazardous chemicals residues, both liquid and solid, are already incinerated every year. The materials are either unwanted by-products of chemical processes or *stocks of materials* which were once in use but which are now known to be dangerous. The latter category includes a large amount of oils used in electrical apparatus which are based on highly poisonous polychlorinated biphenyls (PCBs).

The volume of chemicals waste destined for incineration plants may seem small compared with the total of 500m tonnes or so of residues produced by the chemicals industry in the US and Europe each year. But nearly all this is waste water which can be dealt with by a variety of relatively straightforward separation procedures. Incineration is generally reserved for the most highly toxic materials which have to be handled with particular care.

There are about 70 large chemical-treatment incinerators around the world. This does not include the many hundreds of much lower-tech municipal-waste incinerators which operate in many countries and which work at lower temperatures and without so many control systems. Roughly a third of the chemicals incinerators are in the US, a similar number in West Germany and nearly all the rest are in other parts of western Europe. Most are large cylinders which rotate slowly while burning both solid and liquid wastes. They have elaborate *gas-scrubbing systems for removing* any hazardous materials like dioxins which may be produced during burning.

The plants are run either by chemicals companies as a way of disposing of their own waste, by municipal authorities or by waste-disposal contractors. The latter include Tredi in France, Rechem and Cleanaway in *Britain and Ensco, Rollins and Chemical* Waste Management in the US. For the contractors, which may charge up to several thousand dollars a tonne for handling wastes, incineration is big and profitable business.

High-temperature incineration has come to the fore in recent years as a result of several trends:

● Landfill as a waste-disposal method is increasingly difficult because of shortages of space and fears of toxic chemicals leaching from such sites into water supplies. There have also been stories of industrialised countries exporting their wastes to landfill sites in Third World nations, lending force to the argument that the developed world should invest in the latest technology to deal with waste at home rather than dispose of it overseas.

Many experts believe incineration is the safest way of dealing with a variety of hazardous residues

● Advances in gas-scrubbing technology and control systems have turned *the latest incinerators into machines* capable of being presented by their operators as highly clean systems that can remove unpleasant materials with the *minimum* of danger.

● Publicity given to the particular dangers of some organic chemicals, notably PCBs, have focused attention on specific ways of dealing with these materials. PCBs have attracted *particular alarm because they are both* highly toxic and highly stable; they can stay in the environment for decades, becoming progressively more concentrated in the bodies of animals and holding out the risk, so some believe, of eventually making some species extinct. Incineration is the only proven way of destroying PCBs and similar substances.

● The likely growth over the next few decades of the chemicals industry in places outside the western bloc and Japan – particularly in countries such as China and the Soviet Union and in Africa and south America – has made it probable that these places will want to examine incinerator technology as a way of dealing with the waste problems they may encounter. Argentina, for example, is said to be studying plans for incinerators, for use both by its own industry and as a way of earning foreign currency by processing imports.

Because of such factors, many in the chemicals industry and among waste-services contractors think the number of incinerators could at least double over the next 10 years. In West Germany alone, at least 10 new incinerators could go ahead in this time, several of them run by waste-management bodies owned by state governments.

Monsanto of the US and Ciba-Geigy of Switzerland had tentative discussions some years ago about joining forces on a new incinerator plant in Britain though they are not going ahead for the time being. BASF, the big German chemicals group, already has seven incinerators at its Ludwigshafen production complex that burn 110,000 tonnes of toxic materials a *year; by the mid-1990s BASF says this* volume should increase by 50 per cent.

Assuming an average annual capacity of about 25,000 tonnes, a new incinerator costs about $30m (£18.8m). The promise of a rush of new orders for these machines is good news for the small group of specialised engineering contractors which build them. Companies such as W&E Umwelttechnik and Von Roll of Switzerland, MAN and Deutsche Babcock of West Germany and the US's Combustion Engineering are leaders in this field.

Several companies say the best way to deal with complaints from local people is to be as frank as possible

But incinerator projects are being delayed by the worries of local communities not only in Canada – where plans to build incinerators in both Ontario and Quebec are encountering opposition – but in other parts of the world including Germany and the US.

The protests often involve environmentalist groups. Such organisations *may not deny*, when pressed, that incinerators appear to be a safer and better solution to waste disposal than depositing rubbish in landfills. But they often oppose the building of new incinerators as a matter of principle.

Ms Anke Bujanowski, of an environmental pressure group in Hamburg called the Environmental Protection Enforcement Agency, is one such critic. She says that industry, instead of seeking ways of getting rid of residues after they have been produced, should do more to minimise their production in the first place. This could be done, she says, by process modifications or other fundamental changes in companies' products. "It is incredibly short-sighted to think you can solve fundamental problems by building more incinerators," she says.

This view cuts little ice with chemicals groups who accuse the environmentalists of being naive and idealistic. "People should not be afraid of technology," says Dr Hartmut Fuhr, an environmental expert at Bayer, the big German chemicals group. "Delaying incinerators is a good way to damage industry."

Many companies that run chemical-waste incinerators say the best way to deal with complaints from local people – either about existing operations or over plans for new plants – is to be as frank as possible.

Aptus, a subsidiary of Westinghouse, the US electrical company, ran into problems a few years ago with local opposition to its plan to build a toxic-waste incinerator in Coffeyville, a small town in Kansas. But the company disarmed many of its critics by giving lectures on its policies of environmental stewardship and (after the plant opened in 1986) taking residents on guided tours. It was some help, too, that the plant employs 500 people.

Ciba-Geigy, in its plans for a new incinerator in Basle, has invited local environmentalists to serve on a supervisory board. This, the company says, is to show it has nothing to hide.

A notable example of an incinerator which has generated intense suspicion in its local community is the facility run by Rechem, the UK waste disposal group, in Pontypool, south Wales. This dates from the mid-1970s and is older than most other chemical-waste incinerators. It has led to complaints from local people and other critics who believe the plant has led to high concentrations of PCBs in the environment near Pontypool – *claims which Rechem says cannot be* substantiated.

After a prolonged war of words, the company and the local authority, Torfaen borough council have agreed to conduct a joint scientific study of *emissions from the plant, which may* resolve some of the arguments.

As to the future for incinerator plants in general, there is now a reasonably informed debate on the risks and benefits involved in this technology. There is some evidence that the different sides – from the environmental groups and from the chemical and waste-treatment companies – are gaining a clearer understanding of each other's position. Out of this may come agreed solutions in terms of the type of technology, *sites and operating* conditions for plants of this kind.

Professor Joseph Cummins, a geneticist at the University of Western Ontario, is one person who can see both sides of the argument. He has become a darling of the environmental movement by studying the effects on animal life of the build-up of chemicals like PCBs. He can also see at least some of the possible drawbacks to incinerators in terms of how people feel about the plants' local impact.

But he says that, taking a balanced and global view of environmental matters, more of the facilities may be needed, especially in the Third World. "Companies with expertise in this field should be encouraged to set up plants where they are needed to take care of hazardous waste; it's better than dumping the stuff in the environment."

OBSERVER

BA's spot of turbulence

■ What happens when a company's most ambitious expansion project collapses and its biggest ever rights issue flops? You fire the merchant bankers, and hang on to the investor relations director. So yesterday's announcement that Graham Watts is leaving British Airways after the company's interim results next month is the latest sign that all is not well on the BA management flight deck.

Watts, a 43 year old engineer, joined BA in 1980 from management consultants Booz Allen and has been the airline's link with the City ever since it went public in 1987. By all accounts he was well respected, because he knew as much about BA's rivals as BA. "He was the sort of person you could ring up and ask what was Turkish Airlines' load factor four years ago," said one admirer yesterday.

Watts, who has no job to go to, seems to have been victim of an internal power struggle. After his job was redesigned earlier this year, he did not like the look of it, so has decided to quit. As a good company man, he refuses to comment on speculation that relations between Lord King, BA's 72 year old chairman, and Sir Colin Marshall, the chief executive, are strained. However, as another close observer of the company said yesterday, Lord King may have the *uppper hand now but*, given his age, time is not on his side.

Bad news

■ Life must be getting bad in the stock market when a respected firm like BZW Investment Management has to organise a seminar on Chaos. BZW's Matthew Annable is opening with a little lecture on the descent into chaos, and there is another on keeping chaos at bay, which sounds more helpful. He has rounded up a couple of boffins, including a Harley Street doctor, who believe that research on forecasting unpredictable events like the weather and heart attacks, can be extended to the stock market. It all sounds rather silly, but then there is a chronic shortage of sound alternatives.

New visitor

■ These are heady times for a Pope who sees his apostolic mission very much in terms of confronting and rolling back what used to be known as Soviet imperialism. Last Friday, Pope John Paul II was able to embrace his old friend Tadeusz Mazowiecki as Solidarity's designated prime minister of Poland and entertain him to lunch in the Vatican. The next caller from the Eastern bloc is destined to be none other than President Gorbachev and December 1 has been pencilled into the papal calendar.

Gorbachev wants to discuss a number of world issues including the Lebanon. But undoubtedly, the main issue which the Vatican would like to settle is the status of the Ukrainian Catholic Church which was absorbed into the Russian Orthodox by *Stalinist* fiat after the war. The Pope is also said to be very keen to visit his Ukrainian flock.

On Friday, Mazowiecki thanked Pope John Paul for the support he had given Poland and Solidarity in recent years and received in reply an affirmation which the Vatican was subsequently keen to broadcast. "I have done so as part of my universal mission, and that is how it should be seen," said the Pope. "I believe this audience to be a positive and historic event, not just for patriotic reasons, but because it is part of my mission, just as it is part of the evolution of world history."

"It's Mrs Thatcher's signature – it won't dry on the paper"

Collectors

■ Lord Carrington, chairman of Christie's, will need all his diplomatic skills to ward off the unwelcome embrace of Mr Yasumichi *Morishita*, a 57 year old Japanese money lender *who seems to have* predatory eyes on his company. Last month he paid £33m. for Mr Robert Holmes à Court's 7.5 per cent stake in Christie's, and there is no guarantee that his interest will stop there.

Mr Morishita owns Aichi Finance and has an uncertain reputation in Japan. He says his interest in Christie's is prompted by his activities as an art collector but in the past he has bought ailing companies and stripped them of their assets.

Not that Christie's is ailing. The art market boom boosted its turnover by 63 per cent last season, with the Japanese, including Mr Morishita, accounting for around 40 per cent of sales. He owns a commercial gallery in Tokyo and has been a busy buyer at recent auctions.

Christie's is quite happy to see Mr Morishita bidding in the audience. It would be less happy to have him on its board. The only ultimate defence is a referral of any bid to the Department of Trade and Industry, and Lord Carrington, the former Foreign Secretary, is not without friends in High Places.

Next time

■ The venue of the next Commonwealth summit in 1991 will be Harare, the capital of Zimbabwe, and not Malta, as generally expected, a decision which may not please Mrs Thatcher too much after the drubbing she received yesterday at the hands of Mr Robert Mugabe, the Zimbabwean Prime Minister. The enthusiasm for holding the next CHOGM (Commonwealth Heads of Government) meeting in Malta was not very great because, one delegate quipped, the only suitable place that could be found for holding the traditional week-end "retreat" was Tripoli, the Libyan capital just across the water.

Hard luck

■ In the Portuguese Open golf tournament at *Quinta do Lago*, Colin Montgomerie's record winning score of 24 under par for four rounds, an eleven shot victory, was less remarkable than what happened to Des Smyth of Ireland. He scored a hole in one on the fourth, but didn't win the luxury Volvo which was on offer for an ace at the fifteenth hole. Fact: last year, Smyth aced the fifteenth, but the car was then attached to the fourth hole.

William Hall

LETTERS

Britain's record on jobs better than EC makes out

From the Rt Hon Norman Fowler.

Sir, I read with interest the Monday Interview with Ms Vasso Papandreou, the EC Social Affairs Commissioner ("Champion of worker rights," October 16).

Different opinions on how to formulate policy will always exist, but it does not help our understanding of each other's position if we operate with information that is wrong.

The British economy has achieved a remarkable growth in jobs. We began this decade by restructuring the economy, tackling over-manning and inefficiencies and putting in place policies to deregulate the labour market. As a result, the labour market responded quickly to the economic upturn, and since 1983, there has been a growth of 2.8m in the workforce in employment. This growth is unprecedented in the post-war period.

I make no apology for emphasising the growth since 1983, because it measures how the restructured and more deregulated labour market has responded. If we want to see how policies based on freeing markets have worked, this record achievement needs to be underlined.

I appreciate that it is also important to see how much job growth has taken place over a full economic cycle. The 10 years June 1979 to June 1989 cover such a period, during which time the workforce in employment in the UK grew by 1m. This is twice the growth in the 10 years prior to June 1979, even though the 1980s span a period of major industrial restructuring.

I was sorry to see the argument that part-time employment only benefits employers because workers "often have no choice but to accept" such work. In more regulated countries such constraints may operate; but in the UK the vast majority of part-timers (over 90 per cent) do not want full-time jobs. For many – both married women and students – part-time work is a welcome and flexible form of employment.

Norman Fowler,
Secretary of State,
Department of Employment,
Caxton House,
Tothill Street, SW1

Dutch proposal on EC mergers

From Mr Allard D. Ham.

Sir, I would like to put on record the intention of the Dutch proposal regarding EC mergers mentioned in Lucy Kellaway's article "Progress on EC merger policy" (FT International Edition, October 11).

Member countries agree that existing regulations giving application to articles 85 and 86 of the Treaty are not adapted to the application of these articles to mergers, and so it is provided that these regulations will not apply to mergers. This leaves open the question of what manner the relevant applicable provisions of the Treaty, particularly article 86, should be dealt with in relation to mergers.

Supposing the Council of Ministers will eventually adopt the worldwide turnover of Ecu 5bn as the threshold above which the Commission will have exclusive power to decide, there still remains the need to provide for the situation in which article 86 may be applicable to mergers below the threshold.

Article 86 cannot be put out of operation by a regulation. Furthermore, the test of whether article 86 may be applied is not dependent on quantitative criteria, but on the qualitative criterion of whether a merger may affect trade between member countries.

For this reason, the Dutch proposal introduces a power for the Commission to intervene when a merger reinforces a *dominant position – on the* Community market or on a substantial part of it – which may affect trade between member countries. It will be evident, that such a power should not be limited to mergers with a worldwide turnover of between Ecu 2bn and Ecu 5bn, but should cover all mergers with a worldwide turnover below Ecu 5bn. The Dutch proposal thereby avoids application by the Commission of article 89, which also gives powers to intervene, though inadequately.

More important, the Dutch proposal introduces an explicit provision that, with established qualifications added in its text, gives the optimal legal security in the merger regulation itself for the manner in which article 86 will be applied by the Commission.

Allard D Ham,
Deputy-Director Competition,
Netherlands Ministry
of Economic Affairs,
The Hague

Ads, alcohol and the research

From Mr Peter Mitchell.

Sir, Dr Aitken in his letter of October 14 calls for "reasoned and forthright discussion" on the supposed influence of advertising *on total* alcoholic drinks consumption.

Who could disagree? However, since Dr Aitken can muster only one subjective opinion to support his inference that advertising governs total consumption, it may be useful to look at facts. To the question of whether advertising is a real influence on total consumption, the answer from many authoritative sources is a consistent "no." For example:

● The US Federal Trade Commission, after an extensive research review in 1985, found "little or no effect of variations of advertising on total (alcohol) industry consumption."

● The UK Advertising Association's 1987 submission to the Ministerial Group on Alcohol Misuse analysed relationships between drink consumption and advertising expenditure. Over a seven-year period, it showed declining consumption despite significant rises in advertising expenditure.

● Canada's Addiction Research Foundation, reviewing international research in 1988, found that "numerous economic studies indicate that alcohol advertising expenditures have no effect on total alcohol sales or beverage class."

If Dr Aitken should need more such research evidence, it is available. The conclusions of independent reviews of such work are invariably the same. Advertising is not a force in overall levels of drink consumption though, as in other mature markets, it can be important in influencing individual brand shares.

I regret Dr Aitken feels I misinterpreted his research. I did not: I merely cautioned that findings from small qualitative research must be treated warily. One knows only too well the caveats many researchers attach to this type of qualitative study, especially when young age group samples are involved.

Peter Mitchell,
Strategic Affairs Director,
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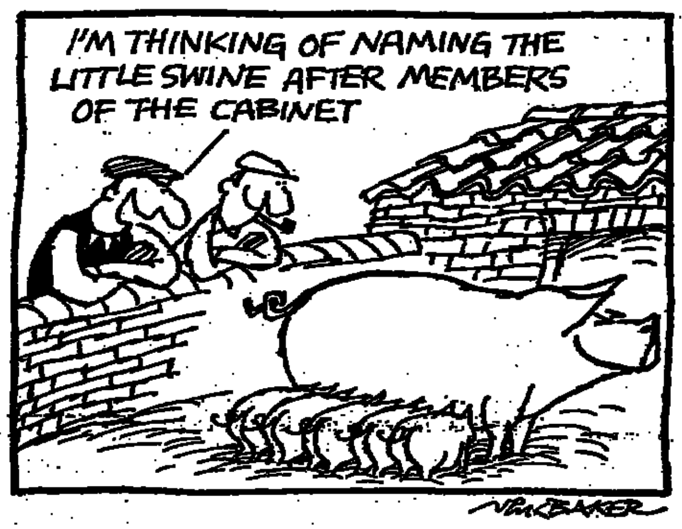
39 Portman Square, W1



British industry

From Sir Arthur Knight.

Sir, Martin Wolf ("Questions over the British miracle," October 14) identifies as Britain's oldest and most fundamental remaining problem relationships between price, quality and mobility of labour in manufacturing industry. He indicates that his preferred route to a better balance in these relationships lies in improved facilities, many of them public, to increase the supply of human capital.

A comprehensive programme would be required. The supply of human capital cannot be seen only in terms of education and training, important as they are. It must relate also to investment in the better and wider understanding of all factors which bear on the deployment of talents and skills to foster performance.

One way to identify the elements in such a programme is to scan the wide-ranging and authoritative reports published in your columns over a long period. Such an agenda would include: education; training; an emphasis on training of future senior managers for private and public sectors; controls on managerial performance and choices between the various ways in which investors can exercise their power to improve performance. It would also include industrial relations – including worker involvement, profit-sharing, the role of unions in training and the quality of training for union management; consensus issues, such as income disparities, the regional aspects of most of the foregoing; housing and infrastructure.

Compiling an agenda is only the beginning. More debate is needed about the relative importance of these elements in the British context and in different sectors of activity, about the balances between public and private policies, and about the relevance to performance of possible European Community policies.

Arthur Knight,
Charlton End,
Singleton,
nr. Chichester,
West Sussex

Money GDP

From Dr Andrew Blake and Messrs Andrew McKay and Martin Weale.

Sir, Nigel Lawson takes the view that M0 is a necessary coincident indicator because a reasonably reliable estimate of money GDP takes many months to produce. Our research suggests he is wrong.

It is perfectly possible to conduct a systematic economic policy with preliminary estimates of money GDP which could be made available two weeks after the end of the quarter to which they relate. Over 10 years, such a policy would not have been significantly affected by the measurement errors of the preliminary estimates.

We conclude that the problems of managing Britain's economy cannot be blamed on the quality of our statistics.

Andrew Blake, Andrew McKay,
Martin Weale,
Faculty of Economics
and Politics,
University of Cambridge

Horticulture

From Mr J.E. Willett.

Sir, At the recent Conservative Party Conference, the closure of horticultural experimental stations, especially Rosewarn in Cornwall, was taken up with the Agriculture Minister.

Most of Cornwall is designated as a rural development area. Rosewarn is important to it in terms of future commodities in horticulture, which, after 1992, will have to compete with other EC member countries. To subject so sensitive an installation to a private sector with no guarantee that it will retain its status is not in the interests of the region's contribution to horticulture or to future land use strategy.

I am hopeful but not optimistic that this closure will be cancelled by the Ministry, which should show more concern for the region's contribution to the sector and its jobs.

J.E. Willett,
14 Eastgate Road,
Holmes Chapel,
Crewe, Cheshire

Politicians fail the pig farmers

From Mr Paul Howell, MEP.

Sir, David Richardson's informative article on the pig sector ("Brussels tears strips off the bacon," October 17) is to be applauded. Pig farmers are justifiably angry. They are right to perceive that politicians are unwilling to help when times are hard – as they have been for the last two years – but step in quickly to prevent farmers benefiting from any market upturn. Such will be the effect of halving the levies on imports of pig meat from eastern bloc countries.

The big difficulty is simply that elected politicians have no say in the management of the market, either at a national or at a European level. The recent decision concerning levies on pig meat imports was taken with no reference to the European, British or any other parliament.

If politicians, rightly, must take the flak, so they must be able to influence events. Perhaps Mr Richardson should look more closely at this "democratic deficit" and make recommendations. It is becoming a crucial issue.

Paul Howell,
European Parliament,
Brussels

A proposal for a turnover tax

From Mr Edmond Jackson.

Sir, John Reid's suggestion (Letters, October 20) to prohibit the sale of shares within a year of purchase, in order to discourage speculation, is too draconian for any open capital market. It would also deter all but the wealthiest investors, leading to further institutionalisation and concentration of capital in London.

More attractive is Keynes's idea of a turnover tax, forcing investors to adopt a longer view. A 100 per cent tax imposed on all gains on the sale of shares held for less than a year, including tax-exempt investors like pension funds, would encourage the Stock Exchange to adopt is proper role of capital raising and allocation instead of that of a hyperactive casino distanced from genuine enterprise.

Recent events do not help to dispel the suspicion that institutional investors are motivated more by what they guess their counterparts – especially those in Wall Street offices – are going to do in hours or minutes, than by what is really going on in British boardrooms and factories.

A longer view might also encourage investors to monitor and change managements where necessary and early on, reducing the need for expensive, long takeover battles.

Edmond Jackson,
Chenies,
Butlers Dene Road,
Woldingham, Surrey

A more daring method of assessing public sector scientific research

From Dr Donald Braben.

Sir, Your leader "A strategy for UK science" (October 19) nicely summarises many aspects of the parlous state of academic research. It concludes that a radical change in attitudes of British businessmen would be required before they gave more money to universities. This is quite true, but it is not only businessmen's attitudes which need to change. Money is indeed tight, and one can hardly blame businessmen who give survival today a higher priority than possible growth in the future.

However, the UK does seem to be lagging behind many other industrial nations in appreciating the links between investment in science and technology, and the prospect for economic growth and employment. These relationships are complex, but no more so than other issues that determine financial health and flexibility, and which are routinely debated at the highest levels of industry and government. Britain does commit many resources to science, though, like all other countries, not enough to satisfy demand. What criteria can be used to select research when there is too little money to go round?

A large part of the problem of selection stems from the use of policies that have hardly changed for decades. One of the most important selection criteria is based on measures of the potential contributions to the advancement of a field – physics or biology or one of the many categories into which each of these disciplines is subdivided. But these fields have no tangible existence. They owe their origins to frozen snapshots in time of the ways we believe (or believed) nature to work. On present policies, the relative importance of scientific disciplines ebbs and flows. Support for superconductivity, for example, has increased more than tenfold in five years, but nature itself has not changed. Because there is so much we do not understand, policies based on perceptions of the importance of fields will result in decisions on relative funding plagued by uncertainty.

There are, however, other ways of assessing research. For almost a decade, we in venture research at British Petroleum International have been using procedures based on face-to-face dialogue with prospective researchers which focus on strategy rather than tactics. They also encourage creativity and originality independent of any field, rather than productivity *per se*. They are obviously viable, and there is no reason why they could not be used more extensively.

So far, we have committed some £20m to basic academic research selected against these criteria. This level of spending has been determined entirely by the rate at which proposals credibly challenging convention can be brought forward. Arbitrary decisions on the appropriate level of spending have not been necessary. We are also finding that unrestrained creativity can give an excellent economic return.

Donald Braben,
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Moor Lane, EC2

FOREIGN AFFAIRS

Marshall aid or martial law

Edward Mortimer argues it is in the West's interest to bolster eastern Europe's economies

The idea of a Marshall Plan for eastern Europe, which I discussed back in July, has been widely criticised. But at last weekend's Frankfurt conference of the Institute for East-West Security Studies it found some takers, including a Polish economist (who warned us that the choice lay between "Marshall aid and martial law") and a recently retired Scandinavian foreign minister.

Of course no one is suggesting that the present situation in eastern Europe, or in the West for that matter, lends itself to a carbon copy of the 1948 European Recovery Act. But there are several reasons why the example of the Marshall Plan is worth keeping in mind:

(1) It reminds us of the capacity of political leaders, on the last occasion when the future of Europe was at stake as dramatically as it is now, to rise to the occasion with a programme that was politically imaginative and economically coherent as well as financially generous. It at least provides us with a scale against which to measure today's efforts.

(2) It should remind us that the problems of east-central European countries (as distinct from Russia) are not primarily of their own making. It was crude pressure from Stalin that prevented these countries from participating in the original Marshall Plan. It is an economic and political system imposed from outside which has stunted their growth. They were the victims of the stable balance of power which kept the peace in post-war Europe, making possible the economic and political miracle of western Europe's present unity and prosperity. We owe them something.

(3) The Marshall Plan was an act of generosity, but also of enlightened self-interest. No doubt the US would have survived even if starvation in western Europe had led to anarchy and then totalitarian rule. But it would have been isolated, insecure, and probably poorer. Likewise the West today could probably survive the collapse of the reform experiments in eastern Europe and a return to the Cold War. But the price would be, at least, big increases in defence expenditure; probably a chaotic and harrowing influx of refugees; and, at worst, a period of prolonged instability with unpredictable dictators in the East whipping up xenophobic feelings to distract attention from their economic failures.

(4) The Marshall Plan, contrary to what seems to be a widespread belief, did not take the form of unconditional largesse showered upon European governments. Dollar credits were made available for specific items – mainly food, to keep the population alive until European agriculture could recover, and capital goods needed to get European industry working again – under a programme (or "shopping-list") drawn up by the Europeans themselves, with US expert advice.

In the present case, Poland has already drawn up an impressive economic programme. The Paris Club of creditors should now respond with a phased plan for writing off the Polish debt as successive phases of the economic reform are implemented. At the same time the Poles should be drawing up, with Western expert help, a detailed shopping-list of (a) food and consumer goods to satisfy the immediate needs of the population and head off the imminent hyperinflation; and (b) equipment and training needed to enable domestic industry and commerce to start meeting the demands of the domestic market as well as producing for export. Donor countries could then provide hard currency credits for the purchase of these specific items.

The Marshall Plan was an act of generosity but also of enlightened self-interest

(5) The Marshall Plan was an outstanding if not unique example of international co-operation, between 14 recipient countries and a single donor. Unfortunately in the present case the scope for co-operation between recipient countries is limited, because only two – Poland and Hungary – have so far adopted political structures and economic policies that make them eligible for this kind of assistance. On the other hand there is a multiplicity of would-be donors (24 at the last count), and the need for them to co-ordinate their aid effectively is acute. (That also goes for non-governmental aid.)

(6) At the time of the Marshall Plan the US not only opened its own market to European goods but even encouraged European discrimination against American goods, in the form of the European Payments Union. A similarly open and flexible approach by the West to East-West trade is called for now. Last week at the IEWSS conference Mr Robert Mosbacher, the US Secretary of Commerce, said that the US plans to extend its Generalised System of Preferences (hitherto reserved for developing countries) to Hungary and Poland, and called on other developed countries to follow suit. He also praised the institute's newly published report on "integrating the reforming socialist countries into the world economy."*

The IEWSS report stops well short of advocating a Marshall Plan, but it shares to some extent the weakness inherent in most arguments both for and against such a plan, namely the tendency to continue treating "the East" as a single bloc of "socialist" countries. This approach is increasingly anachronistic. Even bracketing Poland and Hungary together is an oversimplification, but at least those are both central European countries with some experience of, and now a definite commitment to, political and economic pluralism.

East Germany and Czechoslovakia will be in the same category, and probably rather better placed to succeed, once the right political changes occur; whereas Romania and Bulgaria are Balkan countries, children of the Orthodox rather than the Roman church and the Ottoman rather than the Habsburg empire. It may be unrealistic to expect "reform" there, if it comes at all, to follow the same pattern as in central Europe.

Far more problematic is the case of the Soviet Union. Every day brings new evidence of the rapid disintegration of the power system which hitherto held that vast country together – the latest signs being the emergence of a specifically Russian national movement on the one hand, and of trade unionism within the Soviet armed forces on the other. We all assume that an authoritarian backlash must develop, but it is taking much longer than most people expected. The question can hardly any longer be whether the whole process of the last four years is reversible, but which bits of it are, if any. Perestroika looks less and less like a coherent reform programme and more and more like a desperate attempt to ride several tigers which are bounding off in opposite directions. Clearly we have to be prepared for its collapse, but the form that collapse will take gets harder and harder for the West to predict, let alone influence. Here are a few suggestions for an interim western policy:

● Do nothing which appears actively to promote the territorial dismemberment of the Soviet Union or to exacerbate ethnic and national conflicts within it.

● Proceed as fast as possible with disarmament and other negotiations, with a view to converting the co-operative approach of the present Soviet government into a dense network of international obligations.

● Above all, we should not treat Soviet chaos as a reason to leave reforming east-central European countries to their fate, but rather as an additional reason for doing whatever we can to strengthen them, so that they will be less vulnerable to a Soviet backlash if and when it comes.

**Available from IEWSS, 360 Lexington Avenue, New York, NY 10017.*

FINANCIAL TIMES
Tuesday October 24 1989

Citicorp arm to cut coverage of UK market

By Richard Waters in London

CITICORP'S UK securities house, Citicorp Scrimgeour Vickers, is preparing to cut up to half of its research cover of the London equity market.

While other securities houses continue to believe that full coverage is vital for any firm that wants to remain in the big league, CSV has decided to analyse only 10 or 11 sectors, representing between a half and two-thirds of the market in terms of capitalisation.

It has yet to decide which sectors will be dropped but banking and property seem likely to be among them.

The move will be seen in some quarters as an embarrassing withdrawal, an admission by the biggest US bank that it has failed to sustain one of London's finest research houses. CSV however said that the move represented a strategic re-focussing that would enable it to rebuild its market share in its chosen fields.

One former CSV analyst said: "It's a very major climb-down, to go from being one of the majors to dropping nearly half your coverage."

Mr Nick Whitney, managing director of CSV's UK equities business and a former head of global research at Warburg Securities, said the decision reflected a desire to concentrate on areas where CSV could build a market share of 6-8 per cent, becoming a leader in those areas.

CSV estimates that the cost of researching the entire London market is about £10m a year. Merely to cover this, a firm would need to win 4 per cent of the estimated £250m commission income earned in the UK. CSV said this suggested that others would also have to scale back.

A further concern is that institutional investors generally allocate commissions to only three or four firms in each sector, so it is better to specialise in a few sectors than be mediocre in all. Mr Whitney said: "There is no prize for being seventh best. There is no point in being an also-ran." CSV's intention was to create "an integrated boutique."

The intention is that it will continue to market make in stocks that it researches, although it will also make markets in other FTSE 100 index companies - an apparent paradox given that the conventional view has been that securities businesses must either be full-service, integrated houses or niche-market boutiques. Following the decision to cut back on research, CSV will also reduce the number of stocks in which it makes markets by 50 to about 350.

The decision has not yet been announced internally but departures from the firm have already begun - six of the 30 or so analysts have left in recent weeks, including Mr Colin Humphries (brewing), Mr Tim Clarke (banking) and Mr Michael Frew (property).

A far more significant wave of departures took place about a year ago, when CSV's most highly-ranked teams went to other houses: engineering (to Kleinwort Benson), electronics (to Smith New Court) and stores (to various houses, but with leader Mr Nick Bubb joining Morgan Stanley).

This marked a low point for CSV., one of whose constituent firms, Scrimgeour Kemp-Gee, was once of one the top three research houses in the City. According to Mr John McFarlane, CSV managing director, the process of rebuilding process has begun with the recruitment of two building analysts from Warburg and the soon-to-be announced arrival of a "well-known economic strategist."

At the same time, another large slice is being taken out of CSV's overheads, which have already been among the most drastically cut. This will leave it with costs barely a quarter of those of two or three years ago.

The savings are expected to come mainly from reduced use of property and technology, rather than a new wave of *redundancies*.

Commonwealth attacks Thatcher

By Robert Mauthner and Roger Matthews in Kuala Lumpur

MRS Margaret Thatcher, Britain's Prime Minister, yesterday came under fierce attack from other Commonwealth leaders for her decision to publish a separate statement on South Africa, after subscribing to a joint declaration approved by all the heads of government last Sunday.

The most virulent onslaught came from President Robert Mugabe of Zimbabwe who described Mrs Thatcher's action as "despicable and unacceptable." And it was not only the leaders of African and other developing countries who objected to what some of them described as the perfidious behaviour of their British colleague.

Mr Bob Hawke and Mr Brian Mulroney, the Australian and Canadian Prime Ministers, both angrily jumped to their feet at yesterday's morning session to demand an explanation.

"I will speak first, Margaret, and give you the right of reply, which is more than you did last night," a red-faced Mr Mulroney exclaimed, according to officials present.



British Prime Minister Margaret Thatcher in Kuala Lumpur yesterday and two of her critics, Australian Prime Minister Bob Hawke (left) and Canadian Prime Minister Brian Mulroney, who was reported to have said: 'I will speak first, Margaret, and give you the right of reply, which is more than you did.'

Mrs Thatcher's critics argued that the joint declaration - an uneasy and sometimes self-contradictory compromise on sanctions - had been hammered out during 15 hours of hard bargaining by a group of foreign ministers, including Mr John Major of Britain. Britain's refusal to endorse four of the 27 paragraphs of the declaration was clearly stated in the communique.

Mrs Thatcher was equally outraged at the accusations levelled at her. Stony-faced, she said she did not think any explanation was called for. She was "astounded and appalled" that, in an association of democratic countries where free speech was the accepted rule, a government should not be able to put its own views on record.

Britain had been prevented from setting out the reasons for its four reservations in the declaration. It therefore had every right to explain them in a separate statement.

The result of the row is that instead of having a joint position which all delegates considered showed greater flexibility on the South African problem by both Britain and its pro-sanction partners, the respective positions are again polarised.

British officials confirmed that it was at the suggestion of Mrs Thatcher, who said she "did not much like" the text but that she could "live with it" if the others also accepted it, that the declaration was approved by the leaders at their island "retreat" of Langkawi in only 30 minutes last Sunday.

Political knives are out, Paramilitary drug force urged, Page 3

Shell-Esso venture to challenge British Gas

By Steven Butler in London

BRITISH Gas's monopoly in the UK industrial gas market is set to be broken after the launch yesterday of a gas supply company owned jointly by Shell and Esso, the biggest oil and gas producers in the North Sea.

The venture, Quadrant Gas, has gas supplies immediately available and plans to offer contracts to current British Gas customers at a lower price and on more flexible terms.

The move comes as the European Commission is considering proposals towards establishing a common carrier system throughout Europe's gas industry. This would require pipelines, which are generally national monopolies, to carry third party gas for a fee. The UK system is being looked on by some as a possible model.

Although Quadrant's available gas supplies are limited, it plans to contract for large volumes of gas and to establish itself as a nationwide competitor to British Gas. Other big North Sea producers, including British Petroleum, are also understood to be considering entering the market.

The entry of Shell and Esso - which provide British Gas with supplies equal to more than 20 per cent of the UK gas market - comes seven years after the Government's first attempts to encourage competition by requiring British Gas to transport gas for third parties through its pipelines.

Last year the Monopolies and Mergers Commission found that British Gas was abusing its monopoly position in the UK market and made recommendations which led the imposition of requirements that British Gas publish a price schedule and restrict its purchases of gas in the North Sea.

Mr James McKinnon, director-general of the Office of Gas Supply, the industry watchdog, who has played an important role in fostering development of a competitive gas market, welcomed yesterday's announcement.

Mr McKinnon said he believed it was realistic to expect competitors of British Gas to take 10 per cent of the UK industrial market by 1994, and that this bridghead would open many possibilities for much greater expansion.

Competition will not extend to the private household market, which is a regulated monopoly.

Mr Fra Cooke, Quadrant managing director, said his company was capitalised at about £500,000 ($790,000), although further capital injections by Shell and Esso would be considered as the business developed.

Quadrant will be negotiating to use British Gas's pipeline system to deliver gas to its customers and expects to be able to reach a better deal than the indicative terms published by British Gas. It does not rule out later building pipelines for its own use.

THE LEX COLUMN

Paribas banks on being big

Once again this morning the market finds itself critically dependent on a random number in an erratic series. With trade-weighted sterling at its highest for a fortnight, the currency is as vulnerable as ever to a disappointing trade figure. At least equity turnover should improve on yesterday's pitiful level, whatever the outcome.

Paribas/Mixte

Of the various motives Paribas produced yesterday for its assault on Navigation Mixte, the most plausible is that it just wants to get bigger. Until now it has been possible - just - to see French financial takeovers in terms of industrial logic. Coming so close behind Suez's bid for Groupe Victoire, the Paribas bid makes that look naive. The whole thing seems more like a power game, laced with a Gallic obsession with size as a protection against the Japanese and Americans.

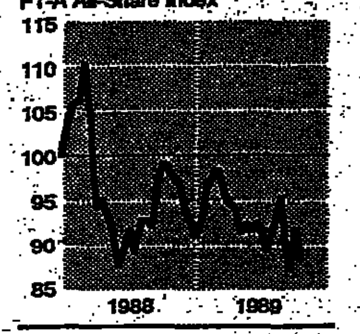
It is possible to imagine cross-fertilisation between Paribas and Navigation Mixte's insurance interests. There could be scope for Paribas's 500-branch retail bank, Crédit du Nord, to market Mixte's products; and Mixte's largest insurance subsidiary, Rhin et Moselle, is regionally skewed towards Alsace-Lorraine and could benefit from a broader base. Doubtless, too, Paribas's web of cross-shareholdings with Denmark's Hafnia and Italy's Banco Commerciale Italiano might form the basis for distribution networks outside France.

But this is not what Paribas seems to have in mind. It says it will respect a deal in which Germany's Allianz is taking 50 per cent of Mixte's insurance interests and full management control. This suggests insurance is scarcely uppermost in Paribas's thinking, though presumably it does not object to some stable life assurance earnings in its portfolio; and Allianz, for its part, scarcely needs an alliance with Paribas. The real attraction could lie in Mixte's heap of equity stakes scattered across French industry from frozen food to champagne. Paribas says it will not unbundle Mixte by selling assets; but what it could be after is the power they bring with them.

British Airways

The embarrassing flop of the British Airways rights issue is the least of the company's current problems. The fall in the

Lucas
Share price relative to the FT-A All-Share Index



share price combined with the rise in interest rates meant the issue was never going to be a great success, especially since it could not be sold to US investors who make up a sizeable chunk of the share register these days. Now that the UAL deal has collapsed, BA can use the £320m to reduce its borrowings or make a very nice turn in the money markets. This should cushion profits during the next flat patch, the only problem for shareholders being that the underwriting institutions who are now overweight in BA will probably want to hang on to the convertible and lighten their ordinary shares.

However, the UAL debacle has damaged the management's credibility, since BA now seems set against doing a deal with UAL at any price. A jump in fuel prices, a slowdown in traffic growth and the arrival of extra capacity means that BA's profit outlook is not particularly exciting. A prospective multiple of less than 7 times is discounting a lot of these worries, but any hard evidence that talk of boardroom dissent is more than gossip could do real damage.

Lucas Industries

Dismantle Lucas's full-year figures uncharitably and it is easy to give ammunition to the bears. True, pre-tax profits were up nearly 30 per cent at £187m; but within that was some £11m from the sale of old factory sites. Granted, earnings per share have been going up at a compound rate of 21 per cent each year since 1985. But the picture has been touched up considerably by the group's protracted and now it seems semi-permanent pensions holiday.

So were investors wrong to bid the shares up 13p yesterday to 614p? Almost certainly not, although not all the reasons may be to the liking of Lucas's management. One of them is relatively familiar and lies in the vigour with which the company has slimmed down its automotive division, where margins have doubled to 8.9 per cent in four years.

A second is the group's good positioning for the 1990s. If the received wisdom is that the coming decade will see the electronic content of motor vehicles rise sharply, Lucas is already entrenched in such areas as braking systems. The third is that on a multiple of not quite 7 times 1989/90's expected earnings, assuming pre-tax profits of £215m, there is little bid premium in the share price, despite the omens of restructuring to come in the automotive components business.

Rights issues

One by one, the crashed rights issues are piling up on the runway: Ransomes yesterday, as well as British Airways. There are one or two still due from the brief flurry of cash calls in the last week of September, just before the market succumbed to the last set of trade figures. But even then, the corporate sector seemed not so much to be rushing to repair its finances in its second year of deficit as to be taking modest advantage of a market which had risen reliably for nine months.

It will be some time before that confidence returns. Few underwriters would care to risk three weeks' exposure at a time of malign UK economic data and random slumps on Wall Street. Indeed, given the seemingly inexorable increase in market volatility, it might be asked whether the long underwriting period is still called for at all.

Under pre-emption rules, the Stock Exchange reasonably requires that existing shareholders should have time to make their minds up on the offer. But this contrasts oddly with new issues. Disneyland, for example, closed after 11 days; a rights issue has to be exposed for at least twice that time. Established shareholders may require more protection than the general public but they can also be presumed to know far more about their companies than they do about new flotations. If in a more recessionary future the market is once more called upon for equity capital, the Stock Exchange might ask itself whether its rules need to be so obstructive.

Hungarian republic

Continued from Page 1

Yesterday's events, which started with a Mass in St Stephen's Basilica in the centre of the city, were a culmination of a series of extraordinary changes in Hungary over the past few days.

Parliament has stripped the Communist Party of several of its most important powers. In advance of next year's free and independent parliamentary elections, Communist cells have been told to withdraw from the workplaces.

But for many Hungarians, yesterday's events were symbolically far more important than the parliamentary decisions. They marked the end of a dark period of their history and a kind of revenge for what had taken place 33 years ago.

For it was on October 23, 1956 that the Hungarian Uprising, which for decades has been called a "counter-revolution" by the authorities, was crushed by Soviet-led troops. It put an end, not only to the country's attempts at independence, but it also ushered in an era which suppressed Hungarian identity and aspirations.

Those aspirations, said Mr Szuros, were now being realised. "It is our plan, according to the wishes of our nation, to fulfil, through free elections, an independent, democratic and constitutional State, in which Hungarians and other minorities will find their place, happiness, and will be a secure shelter and home for them."

Rafsanjani reveals proposals to spur industry with foreign help

By Victor Mallet in Tehran

PRESIDENT Ali Akbar Hashemi Rafsanjani of Iran yesterday outlined plans to liberalise the financial system and revive industry with the help of private businessmen and foreign partners.

Mr Rafsanjani said at a news conference at the Presidential Palace in Tehran the Iranian Government wanted to create an atmosphere in which healthy business could exist.

Since his election in July the President has tried to turn around an economy sapped of vitality by the eight-year war with Iraq and the nationalisations which followed the Islamic revolution in 1979.

The President, wearing his familiar turban and his equally familiar wry smile, took a hard line on the issue of Western hostages in Lebanon and on the fate of Mr Roger Cooper, a British businessman held without trial since 1985.

"At this moment we have no information about the hostages in Lebanon and we don't see any reason to get ourselves involved in this matter," he said, insisting on information about Iranians who were kidnapped and apparently killed in Lebanon, and demanding that the US release frozen Iranian assets.

He said public opinion in Iran opposed the release of Mr Cooper because he had been condemned for spying.

Mr Rafsanjani said the Government's economic proposals include the acceptance of foreign participation and finance for major revenue earning projects such as natural gas exploitation and petrochemical plants.

They also call for the division of industry into three categories - one for essential subsidised goods using foreign exchange but paying at the official rate of about 70 rials to the dollar, one for non-oil exports and luxury goods using an open market rate of about 1,000 rials to the dollar, and a third for semi-essential products using a "preferential" rate between the other two.

"Our industries will become active, our production will be increased and there will be enough goods for the consumers," he said.

"At the same time there will be a boom in our exports."

Mr Rafsanjani said any government or company - with the exception of the US - was welcome to work on Iranian projects, although the only investment guarantees on offer were those provided by existing Iranian law.

The government proposals, contained in its $15bn-$20bn five-year plan, was subject to approval by the Iranian Parliament.

"We have instructed Iranian banks to guarantee credits that the private sector wants to open in other countries," he said.

"The Iranian banks have the duty to guarantee all credits opened by government and private companies anywhere in the world."

Mr Rafsanjani, who is fighting against annual inflation estimated at 40 per cent, said the Government would be able to mop up excess rial liquidity in exchange for foreign currency.

"Our first step is to reactivate our industry. The next step will be to give people a freer hand for greater participation in economic activities," he said, mentioning industry, agriculture and education.

"We have made our best efforts when preparing our plan to act in a realistic manner, not an ambitious manner."

Mr Rafsanjani's drive for a strong mixed economy and a "decade of reconstruction" has been frustrated by the vagueness of Islam on economic matters, an aversion to reform on the part of some of his government colleagues, high population growth and the reluctance of thousands of skilled Iranians to return home from exile.

Yesterday he admitted that consumer subsidies would have to remain in place for a long time to come.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	21	70	Dubrovnik	S	23	73	Malta	T	19	66	Rhodes	S	22	72
Algiers	S	25	77	Edinburgh	S	13	55	Manchester	R	13	55	Rio de J'o	C	28	82
Amsterdam	R	15	59	Faro	C	22	72	Manila	C	29	84	Rome	S	23	73
Athens	S	22	72	Florence	S	20	68	Melbourne	S	15	59	Salzburg	S	21	70
Bahrain	S	28	82	Frankfurt	S	21	70	Mexico City	F	24	75	San Francisco	R	17	63
Bangkok	F	32	90	Funchal	C	19	66	Miami	F	17	63	Seoul	S	18	64
Barcelona	S	21	70	Geneva	S	19	66	Milan	Fg	13	55	Singapore	T	28	82
Beirut		–	–	Gibraltar	R	20	68	Montreal	S	4	39	Stockholm	F	12	54
Belfast	S	11	52	Glasgow	F	12	54	Moscow	C	12	54	Strasbourg	S	21	70
Belgrade	S	24	75	Guernsey	R	15	59	Munich	S	22	72	Sydney	F	22	72
Berlin	S	20	68	Helsinki	F	10	50	Nairobi	F	28	82	Taipei	F	29	84
Biarritz	F	21	70	H. Kong	S	27	81	Naples	S	23	73	Tangier	C	23	73
Bombay	S	33	91	Innsbruck	S	21	70	Nassau	C	27	80	Tel Aviv	S	26	79
Bordeaux	S	22	72	Inverness	S	12	54	New Delhi	S	30	86	Tenerife	C	23	73
Brussels	S	18	64	Islamabad	F	27	81	New York	S	9	48	Tokyo	S	23	73
Budapest	S	20	68	Istanbul	F	18	64	Nice	F	21	70	Toronto	S	4	39
B. Aires	F	26	79	Jakarta	R	32	90	Nicosia	S	24	75	Tunis	F	23	73
Cairo	F	29	84	Jersey	F	17	63	Oporto	C	15	59	Valencia	F	22	72
Cape Town	S	18	64	Jo'burg	S	21	70	Oslo	S	13	55	Venice	Fg	11	52
Caracas	C	28	82	Lima	F	21	70	Paris	S	21	70	Vienna	S	20	68
Casablanca	F	27	81	Lisbon	R	17	63	Peking	S	18	64	Warsaw	S	21	70
Chicago	F	8	46	London	C	16	61	Prague	S	16	61	Washington	S	7	45
Cologne	S	20	68	Los Angeles	Fg	18	64	Reykjavik	F	4	39	Zurich	S	17	63
Copenhagen	F	13	55	Luxembourg	S	18	64								
Corfu	S	24	75	Madrid	F	20	68								
Dallas		–	–	Majorca	F	24	75								
Dublin	S	11	52	Malaga	F	22	72								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bush and Congress reach stalemate

Continued from Page 1

the House. For example, the Senate wants the House to agree to its stripped-down deficit reduction bill but House Democrats are reluctant to jettison hard-won measures on child care, catastrophic health insurance and health care as well as capital gains tax.

Faced with this fiscal morass, Mr Richard Darman, the Budget Director, has said the Administration would be willing to live with the Gramm-Rudman cuts rather than approve an unsatisfactory package from Congress.

Not only are the sequestration cuts in spending more genuine and longer-lasting than congressional measures - making deficit reduction much easier for next year - but they would also enable the Administration to keep in reserve until next year various revenue-raising devices.

The Democratic leadership is opposed to raising the debt ceiling with a capital gains tax reduction attached and is willing to delay action on deficit reduction until that is achieved.

But the Bush Administration and the Senate Republican leadership are under fire for being weak on the question of capital gains tax cuts and many Republicans want firm undertakings about early action on the issue.

Supply-side conservatives argue that the agreement by the White House and the leadership to drop capital gains from the deficit reduction bill was a major reason for the slump in share prices on Wall Street 10 days ago, although there is no evidence for such a link.

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FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday October 24 1989

INSIDE

A wealth of history

The Rothschild's bank was arguably the world's first "multinational financial institution". For it was the decision of the bank's founder, Mayer Amschel Rothschild, to send his four sons to establish banks in London, Paris, Vienna and Naples that created the basis of what has become one of the world's largest private financial networks and a byword for wealth across Europe. Now it is going back to its roots – 88 years after leaving Frankfurt, the city where its banking business was born nearly two centuries ago, the Rothschild family is returning with a new joint representative office for its London, Paris and Zurich banking operations. Haig Simonian reports. Page 33

Nonchalance in the markets

The world's leading stock markets may have stared into the abyss for a horrifying moment at the start of last week, but they were putting on a breezy display of nonchalance by the end of it. Japan's steadying influence and the remarkable bounce back by US shares from their plunge on Friday October 13 meant that the FT-Actuaries World Index closed with a gain of 1.2 per cent. In Europe, however, the bruises from last week's violent swing in share prices are more apparent. Falls of 4.8 per cent in West Germany, 4.4 per cent in Italy and 3.7 per cent in France contributed to a 3 per cent decline in the regional index. Page 52

Swiss debate role of warrants

Three years after they were invented covered warrants in Swiss equities are provoking argument in Zurich and Geneva about whether their impact on the stock market is healthy. The debate centres on the contention that the warrants – are draining away liquidity. However, this view is not sustained in a study by Lombard, Odier, the Geneva private bank, reports William Dullforce. Page 32

Evolving policy

Ray MacSharry (left), former Irish Finance Minister and EC Agriculture Commissioner for the last 10 months, is also the Community's first Rural Development Commissioner. The job was added to his portfolio last January, when the new Commission took office. But MacSharry frankly admits that he is still assessing his new role. "The policy is developing. It's evolving, but I don't have all the elements yet," he tells Bridget Bloom. Page 40

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)						
Rises						
Colonia Vers	1250	+	35	[illegible]	169.5 +	9.9
Didier-Werke	276.5	+	19.5	SFM	1751 +	129.9
Hochtief	873	+	13	Falls		
Mannesm Rueck	2700	+	50	[illegible]	1127 −	67.7
Falls				Sat	1310 −	75.5
Bayer	293	−	4.5	Scog	1118 −	69.4
Rheinelekt (Tb)	420	−	15	**TOKYO (Yen)**		
NEW YORK ($)				Rises		
Rises				Iseki	2390 +	220
Coca-Cola	72⅞	+	1⅞	Nippon Tungsten		
Jean Soieff	42⅞	+	1⅞		1150 +	130
Maxel	38½	+	1¾	Orient Watch	1060 +	95
UAL	181½	+	13¼	Sinkolagio	1380 +	200
Falls				Tokai Kisen	1210 +	110
Chevron	66⅞	−	1⅞	Falls		
Texas Instr	33¼	−	1⅞	Suzusei Ind	1280 −	130
PARIS (FFr)						
Rises						
Fichet SA	1220	+	88.7			
New York prices at 12.30						
LONDON (Pence)						
Rises				Sainsbury (J)	259 +	6
ASDA	145	+	6	Tesco	194 +	5
Burmah	676	+	10	Wellcome	802 +	12
GKN	392	+	8	Falls		
Knobs & Kn'kers	99	+	17	British Airways	194 −	3
Lloyd Thompson	259	+	11	Morgan Grenfell	383 −	11
Lucas	614	+	13	RHM	437 −	2
Ratcliffs	637	+	11	Reuters	888 −	7
Ross Catherall	207	+	45			
Royal Ins	486	+	13			

Paribas bid heralds a change of course

George Graham on the offer for Navigation Mixte

The jockeying for position among France's leading financial institutions has taken another remarkable turn with the announcement yesterday that, after two weeks of hectic stock market activity, Paribas, the banking and investment group, has launched a bid for control of Compagnie de Navigation Mixte, a cash rich financial conglomerate.

Only three weeks ago, Navigation Mixte, headed by the reclusive right-wing financier Mr Marc Fournier, appeared to have headed off the threat of a hostile takeover.

Mr Fournier announced that he was teaming up with Allianz, West Germany's and Western Europe's biggest insurance company, by selling half of Navigation Mixte's insurance division, the company's most valuable business, to the Munich-based concern.

But yesterday's move by Paribas to take control of Navigation Mixte casts doubts over the wisdom of Mr Fournier's defensive ploy, not least because of hints that Allianz, which knows Paribas well, does not think its interests are threatened by the hostile bid.

If this is the case, it may make the strategies of Paribas and Allianz, two of Western Europe's most powerful financial institutions, much clearer.

The Paribas move is just the latest in a series of deals which have shaken up the French financial sector. In August Compagnie Financière de Suez, Paribas' arch rival, took control of the Groupe Victoire insurance business, and two weeks ago, Dresdner Bank of West Germany agreed to take control of BIP, one of Paris's leading specialist money market banks.

Paribas has been gradually building its stake in Navigation Mixte, passing 10 per cent last week, triggering a counterattack by Mr Fournier who has been buying shares in Paribas.

Mr Michel François-Poncet said yesterday that he had three reasons for bidding: to increase Paribas's size, to take advantage of the opportunities presented by Navigation Mixte's portfolio of companies, and to defend Paribas itself from Mr Fournier's hostile intentions.

However, Mr Francois-Poncet is also finding the attractions of Navigation Mixte's FFr11bn ($1.74bn) cash hoard, and its portfolio of industrial and services holdings, irresistible.

Navigation Mixte is a conglomerate that is very much the personal creation of Mr Fournier, who has been its chairman for the last 20 years, and who has several times before defied takeover bids from predators several times his size.

Founded in the 1850s as a shipping company, it no longer has anything to do with navigation, though it does have some land transport interests and a few tuna fishing boats.

In terms of turnover, its main sector is insurance, where its subsidiaries Via Assurances and the recently acquired Rhin et Moselle had FFr6.87bn of premium income between them last year. In the field of financial services it also has banking interests – Via Banque and Société de Banque et de Financement – leasing companies and a stockbroker, Soulé Tellier.

Food and agricultural products accounted for FFr3.39bn of sales last year, with a mixed bag including the Venoge champagne brand, the Saupiquet canned tuna and vegetables company, a French sugar producer and 5,500 hectares of Florida citrus groves.

Transport activities include Générale de Transport et d'Industrie, the leading private sector contractor of public transport services in France.

Industry presents the same bewildering variety: if there is an obvious link between Brinks, the funds transport and security company, and Fichet-Bauche, France's top locksmith and safe manufacturer, the synergy between these two and Hurel-Dubois, a manufacturer of thrust inverters for the aerospace industry, is less evident. But it is the Allianz deal which provides the key to Paribas's intentions.

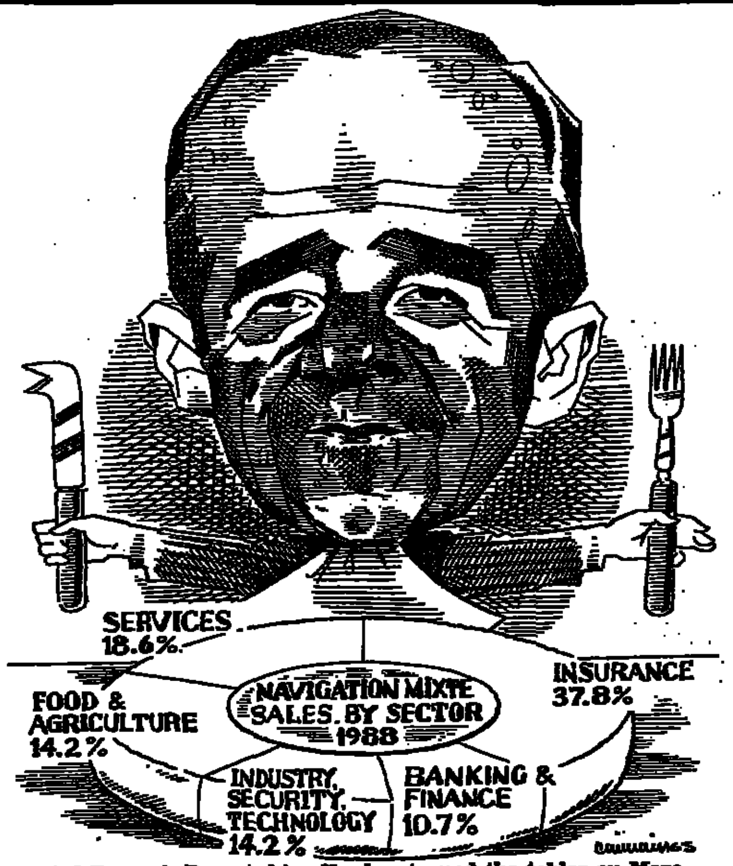
"The policy of Paribas is and remains not to be an operator in the insurance sector, but to be the financial partner of insurance groups. We see many advantages in the association of a group like ours and a group like Allianz," said Mr François-Poncet.

He added he had every intention of carrying out, to the letter, the deal under which a 50 per cent stake and management control of Navigation's Mixte's insurance business would be sold to Allianz.

It seems doubtful, however, that the association between Paribas and Allianz will be very long-lived.

Senior Paribas executives admit Allianz might find it attractive to buy the remaining 50 per cent of Navigation Mixte's insurance businesses, and they would be delighted to oblige.

Mr François-Poncet denied, however, that there had been any contacts between Paribas and Allianz on this subject, though the two groups have long-standing ties, and Allianz is an important client of the investment banking group.



Michel François-Poncet: his offer has turned the tables on Marc Fournier of Navigation Mixte

What remains to be seen, however, is the attitude of the other major shareholders in Navigation Mixte: traditional allies of Mr Fournier, such as Cilnvest, the investment subsidiary of Crédit Lyonnais, Geneval, an arm of Société Générale, and Unifrance, in the Crédit Agricole group, as well as Assurances Générales de France (AGF), the state-owned insurance group which has been building up its stake in recent weeks, in parallel to Paribas.

One thing that seems certain is that the socialist French Government will not see any reason to come to the defence of Navigation Mixte.

Mr Fournier was – with Mr Jean-Marc Vernes, the recently defeated chairman of Groupe Victoire – one of the "Four Horsemen of the Apocalypse", aggressive capitalists who between 1981 and 1983 conducted a guerrilla warfare in the stock market to save as much as possible from the socialist government's nationalisation programme.

If successful, the bid will allow Paribas to increase its net assets by about FFr25bn from around FFr63bn.

More alluringly, for a net outlay of just over FFr12.8bn, it would give it control of a cash pot of FFr11bn, rising, perhaps by another FFr6.5bn if it were to cede 100 per cent of Navigation Mixte's insurance interests to Allianz.

An opportunistic business such as Paribas sitting on such a sizeable cash war chest is bound to trigger speculation about where its appetites would lead next.

London permits dealings in Disney

By **Nikki Tait** in London

IN A highly unusual move, the London Stock Exchange has said that, from this morning, it will allow its members to deal in shares of Euro Disneyland, the operating company for the US leisure group's latest theme park under construction outside Paris.

This is almost two weeks before official dealings in the very popular new issue are due to start.

Such a step by the Stock Exchange is not unprecedented – it took a similar approach towards the new shares in the merged SmithKline Beecham pharmaceuticals group – but it is uncommon.

The Council of the Stock Exchange said yesterday its move has been prompted by a desire to stop a "disorderly market" in the shares growing up. "It has been drawn to the Council's attention that a substantial unofficial market in these shares had developed ahead of the commencement of official dealings," said the Stock Exchange statement.

"The Council is mindful of the need for member firms to provide a service to clients in this issue, and of the need to avoid the development of a disorderly market."

The Exchange declined to be drawn on the extent of the unofficial dealings which it believes may have taken place. However, a grey (unofficial) market price for the shares has been quoted in Paris for some time, and yesterday there were suggestions that a fairly busy unofficial market was developing both in London and Paris.

Euro Disneyland also announced the basis of allotments at the weekend and, with some investors now knowing the precise number of shares which they will receive, the grey market looked likely to become more active.

Under the Stock Exchange's exemption, dealings will be on a "when issued" basis until November 6. If, for any reason, the admission of the securities to a listing does not take place, all dealings will be declared null and void. Yesterday, Euro Disneyland's UK advisers said that they expected at least three market-makers to be quoting prices in London today.

Yesterday, the Paris grey market prices for the Euro Disneyland shares stood at FFr78½-83, compared with the offer price of FFr72 – well down on the premium being quoted last week. The sterling depository receipts, which comprised the UK portion of the issue, were priced at 707p.

Crédit Agricole outwits Italian financiers

By **John Wyles** in Rome and **William Dawkins** in Paris

FRANCE'S Crédit Agricole, Europe's largest bank, is set to take a 13.3 per cent stake in Nuovo Banco Ambrosiano (NBA), in a surprise move which has embarrassed and outflanked two of the top names in Italian finance, the Generali insurance group and the Gemina financial holding company controlled by Fiat.

Until the end of last week, Generali looked certain to pay Banco Popolare di Milano some L283bn ($208m) for its holding in NBA. All that was required was the approval of NBA's controlling shareholders syndicate, whose meeting on Saturday was regarded as a formality.

In the event, the increasingly acrimonious discussions dragged on until Sunday morning, at the end of which Gemina was in a minority of one in opposing the entry of Crédit Agricole. The French bank's proposal was tabled on Saturday morning without any previous warning – to Gemina at least. The majority's stated reason for preferring it to Generali's is that it offers NBA a means of developing an international business.

Equally important, however, appears to have been the calculation that excluding the Trieste-based insurer would frustrate any longer term design – said to be nurtured by Gemina, Generali and Italy's top merchant bank, Mediobanca – to merge NBA with the state-controlled Banca Commerciale Italiano.

Analysts were yesterday taking for granted that Crédit Agricole's arrival has the blessing of the Italian Treasury and the Bank of Italy, given that Crediop, in which the Treasury has a majority stake, used its 10.2 per cent holding in NBA to vote for the French option.

Gemina was yesterday considering its legal options, amid unconfirmed reports that Crédit Agricole was seeking to protect Sunday's decision through an application for a court order to sequester the controversial packet of shares.

During the syndicate's meetings Gemina proposed that its members exercise their right to buy Popolare's shares. In a statement afterwards it declared that the majority decision was "illegitimate" because a unanimous decision was needed to approve a new entrant into the syndicate.

Crédit Agricole's interest in NBA represents a change of heart, because it is understood it showed no interest in acquiring the Popolare stake when it was proposed by a Milan merchant bank six months ago.

Crédit Agricole said in Paris yesterday its tie-up with NBA was part of a five-year plan to become a Europe-wide bank.

Overseas markets boost Lucas

By **Richard Tomkins** in London

LUCAS Industries, the aerospace, automotive and industrial group, shrugged off sluggish performances from some of its UK operations and increased pre-tax profits by 28 per cent from £146.3m ($231m) to £187.1m in the year to July.

The figure was towards the top end of forecasts and the shares closed 13p up at 614p.

Nearly all the £26.8m increase in operating profits – up by 16 per cent to £195.5m – came from outside the UK, reflecting Lucas's continuing expansion in overseas markets.

For the first time, sales by Lucas's overseas companies were higher than those of the UK subsidiaries. Ahead by 28 per cent, they accounted for £1.1bn of the group's total world-wide sales of £2.19bn (£1.97bn).

With direct and indirect exports by the UK subsidiaries also ahead, the proportion of sales going to end customers in Britain fell to 23 per cent of the total. Ten years ago, the figure was 51 per cent.

Lucas's pre-tax profit was given a strong boost by the proceeds of the group's £163m rights issue in March 1988, which helped cut net interest payable by £14.5m to £8.4m.

At the operating profits level, a £6m to £7m benefit came from the termination of Lucas's loss-making aerospace joint venture with Thomson in France.

About half the remaining £20m increase came from organic growth and half from acquisitions. These figures included an increase of about £6.5m in profits on property disposals, which contributed some £10m. Earnings per share (fully diluted) were ahead by 10 per cent at 81.2p (73.7p) and a final dividend of 18p is recommended, making 25p (21p).

The automotive division, accounting for 60 per cent of Lucas's sales, reduced its contribution to operating profit from £53.1m to £52.5m in spite of good performances in continental Europe and North America.

Mr Bob Dale, the division's managing director, blamed a poor UK performance on de-stocking by dealers in the final quarter and high development costs associated with new products.

However, he was optimistic about the prospects.

The aerospace division improved UK operating profits by only 3 per cent and the industrial division saw a poor second half in Britain, but both benefited from acquisitions overseas.

Mr Tony Gill, Lucas's chairman, said that, with borrowings at only 9 per cent of shareholders' funds, the group remained well placed to pursue its programme of acquisitions.

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Qintex share price is halved

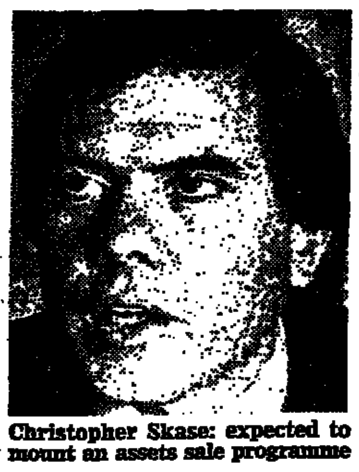
By **Chris Sherwell** in Sydney

THE FUTURE of Mr Christopher Skase's Qintex international media and resorts empire was seriously in question last night after the market values of his companies were cut in half on Australian stock exchanges. Trading was later suspended in Qintex shares.

Analysts said they expected an immediate programme of asset sales to deal with a liquidity problem and to meet the demands of bankers worried about a debt burden unexpectedly revised upwards by 50 per cent to A$1.5bn ($1.1bn).

The young Australian entrepreneur's problems crystallised following the decision by Qintex Entertainment, the group's US arm, to file for protection from its creditors under Chapter 11 bankruptcy provisions.

Qintex Entertainment, 43 per cent owned by Qintex Australia, was facing litigation from MGM/United Artists Communications in connection with a US$1.5bn (£955m) merger deal which suddenly collapsed earlier this month. In a statement from Brisbane yesterday, the group said: "Qintex Australia does not have a majority of the directors of Qintex Entertainment, and the Qintex Entertainment board and management determined that in the absence of full unconditional financial support for all of Qintex Entertainment's financial requirements that the procedures for restructuring under Chapter 11 should be availed."



Christopher Skase: expected to mount an assets sale programme

On Friday, Qintex Australia, which is the group's principal operating company, decided not to furnish Qintex Entertainment with working capital to meet only a US$6m payment to the MCA entertainment group under a television programme deal. This led to the Chapter 11 filing.

When trading opened in Australia yesterday, Qintex Australia shares plummeted from 33 cents to 16 cents. Their 1989 high was A$1.70.

Wärtsilä Marine decides to file for bankruptcy

By Enrique Tessieri in Helsinki

THE board of Wärtsilä Marine, one of Europe's largest privately-owned shipbuilding companies, which was rescued last August by a financing package from the Finnish Government, decided to file for bankruptcy yesterday.

The decision comes only 11 days after Mr Ilkka Suominen, the Minister of Trade and Industry, announced losses at the company amount to FM1.7bn ($400m), or roughly FM1bn more than the figure forecast two months ago.

The minister also said there should be an investigation into the true financial standing of the company.

Wärtsilä Marine had called for a shareholders' meeting on November 2 to decide whether the company should be put in liquidation. The company cited rising costs in Finland, high government subsidies in EC countries, and no new orders from the Soviet Union for the past three years.

Revelations that the cost of keeping Wärtsilä Marine afloat would be much higher than originally expected, last week prompted the banks to pull out of the financing package.

The financing package, which was speculated to be between FM600 to FM800m last August, was originally given to Wärtsilä Marine to ensure ship orders until 1991, as well as 6,500 jobs.

The package was made up by the Export Guarantee Board and State Guarantee Board, which carried a 50 per cent responsibility for the financing of the company, and Union Bank of Finland and state-owned Postipankki with 25 per cent total.

Wärtsilä and Valmet, the other party which owned 30 per cent of the shipbuilding company, jointly have 25 per cent responsibility.

A Wärtsilä statement said yesterday that if the financial deficit in the package proves to be larger than estimated, its liability is limited to 23.3 per cent. Last September 1, Wärtsilä reduced its stake in the shipbuilding company to 19 per cent from 70 per cent.

The decision to file for bankruptcy was taken while its board president, Mr Bror Wahlroos, a Ministry of Trade and Industry official who represented the Government in the Wärtsilä Marine bail-out talks, was on holiday in Crete.

Mr Niemi, who claims that he has been in constant touch with Mr Wahlroos, gave a laconic explanation as to Wärtsilä Marine's decision to file for bankruptcy: "The money dried u p ."

● Shares in Wärtsilä were suspended in Helsinki and Stockholm after the decision.

Acquisitions lift profit at Rauma-Repola

By Enrique Tessieri

RAUMA-REPOLA, the Finnish engineering and forest group, yesterday announced a strong advance in its first eight-month profits, owing largely to acquisitions.

Pre-tax profits were lifted to FM288m ($42.5m) from FM239m on sales which rose 42 per cent to FM7.66bn from FM5.39bn for the same period last year.

Rauma-Repola also forecasts a rise in net sales for the year to FM12bn, compared with FM9.7bn in 1988 and an improvement in profits.

The company said acquisitions helped Rauma-Repola's better financial performance. Also, losses for the group's shipbuilding sector were lower than the preceding year.

Rauma-Repola's shipbuilding sector incurred a FM226m loss last year on sales of FM1.26bn. The engineering division lifted sales to FM2.64bn from FM1.70bn, while paper and pulp saw a 9 per cent slip to FM1.44bn. Sales of the mechanical woodworking division rose to FM1.32bn.

Statoil opens troubled Mongstad refinery

By Karen Fossli in Oslo

MONGSTAD, Europe's most modern and costly refinery, will today be officially opened by Statoil, Norway's state oil company, following the completion of a NKr12bn ($1.73bn) expansion project which went awry forcing a reorganisation of the company.

Mongstad's refinery capacity was expanded to 6.5m tonnes from 4m tonnes at a budget over-run of NKr6.8bn, of which NKr4bn was charged directly to state coffers.

Statoil concedes that because of the excessive capital costs the plant is unlikely ever to become a high-return project.

But it adds "the outlook for refining margins is such that [Mongstad] is likely to be a significant contributor to Statoil's cash flow and earnings and an important foreign exchange earner for Norway in the 1990s."

Mr Arve Johnsen, Statoil's former autocratic president of 15 years, was forced in 1988 to step down over the affair, which is described as Norway's biggest industrial scandal. He was succeeded by Mr Harald Norvik who reorganised the company into three divisions.

Statoil has written off NKr5bn on the project in the past two years, and the final Mongstad bill will be more than twice the cost estimate of 1984. The old refinery produced primarily coke and distillates used for fuel oil while the new facility will turn out mainly light product qualities, such as gasoline and diesel.

Mongstad will enable Statoil to triple sales from 3m tonnes of crude in 1988 to 10m in 1990 and around 1m tonnes of refined products in 1990, primarily petrol and diesel. The refinery also has one of the world's largest underground crude oil terminals, with a crude storage capacity of 1.3m cubic metres.

Statoil estimates that Mongstad will become one of the busiest harbours in northern Europe.

Eventually, over half of Mongstad's petrol production will be sent to the US east coast.

Sanofi forecasts 20% rise in earnings

By William Dawkins in Paris

SANOFI, the pharmaceuticals and cosmetics producer controlled by Elf Aquitaine, the French oil group, yesterday predicted that earnings would rise 20 per cent this year on a 17 per cent rise in sales.

Turnover of this internationally ambitious group reached FFr14.5bn ($2.3bn) in 1988, on which its net income was FFr976m. Sanofi yesterday unveiled an 8.5 per cent rise in sales to FFr12.5bn for the first nine months of this year, as against FFr11.5bn in the same period of 1988, a rather slower rate of growth than previously.

Sanofi attributed the change to slower sales in its agri-veterinary division and falling prices in its rendering business.

However, Mr Jean-François Dehecq, group chairman, said: "In an ever competitive international business environment and increasingly difficult economic conditions . . . 1989 should again be a good year."

Growth in Sanofi's three main sectors, human health, bio-industries, and perfumes and cosmetics would be stronger in international markets than in France, he said.

NMB considers Banca Agricola Milanese stake

By Laura Raun in Amsterdam

NMB Postbank, the newly merged Dutch bank, is considering buying a stake in Banca Agricola Milanese from Sasea, the Italian-controlled holding company.

Such an acquisition would form part of NMB Postbank's plans for expansion in the European Community, NMB Postbank said yesterday.

NMB added, however, that a West German bank also had been approached by Sasea, which is the parent company of a Geneva-based investment banking group headed by Mr Florio Fiorini.

French enticed by scent of LBOs

William Dawkins on Continental Europe's busiest buy-out market

DEALMAKERS are again starting to fish hard for management and leveraged buy-outs in France which is already Continental Europe's largest and most active buy-out market.

Attracted by a sharp increase in the number of buy-outs – though from a very low base – at least three institutions are launching new efforts to entice managers to take stakes in their own, or other peoples' businesses.

Around 100 French companies launched buy-outs last year, bringing to 300 the number recorded since 1980. This sudden jump in the growth rate is a telling illustration of the greater openness and fresh thinking to have entered French management culture in recent years.

LBO France, the Paris-based specialist in buy-out financing is in the final stages of preparing a large equity fund, underwritten by a leading US investment bank.

Meanwhile, the Paris branch of 3i, the provider of risk capital owned by the UK clearing banks, is doubling the funds at its disposal in France to FFr1bn ($159m).

The British institution aims to stimulate so-called management buy-ins, where independent management teams take over companies undergoing succession problems, an issue facing thousands of medium-sized, family-owned businesses in France.

Several other financial institutions are hovering in the wings, preparing buy-out funds to be launched in the next few months.

The common thread in this activity is a feeling that now is the time to tap the huge potential in the market for the provision of equity finance to French medium-sized companies.

Nobody is expecting an explosion of buy-outs, though they are expecting exciting opportunities. What has until now prevented that potential from being realised on the same scale as in the US and Britain provides an insight into the wider growth problems faced by the lesser players in French industry.

"The two most important problems facing French medium-sized business today are the relative weakness in equity financing and the fact that they have owner managers who have not planned for their succession. Quite often we have to solve both problems at the same time," says Mr Michel Biegala, managing director of 3i in France.

Broadly, French buy-outs have fallen into two types. First, there are large companies seeking to shed peripheral businesses in order to concentrate on core activities.

A typical example is the FFr700m buy-out by a financial consortium of Saunier Duval Eau-Chaude-Chauffage, a heating company that no longer fitted with the strategy of its former owner, Saint-Gobain, the glass and pipes group.

Equally, many buy-outs involve family-owned companies drawn from the thousands which formed a significant part of France's post-war economic revival. These are looking for ways to pass on ownership to the next generation of managers.

The prime example here is the Darty family, which last year promoted a FFr7.1bn management and staff buy-out of the chain of electrical stores bearing its name.

THE French Government has, like several of its European partners, tried to encourage the trend, by, for example, introducing tax incentives to help buy-outs.

Even after this recent burst of activity, buy-outs are a very long way indeed from being as popular in France as in the UK, the European cradle of management buy-outs.

France's 300 deals since the turn of the decade, compared with Britain's 2,466 buy-outs over the same period.

One problem is that French medium-sized business's traditional heavy reliance on loan rather than equity capital has left them more heavily geared than their British counterparts, argues 3i's Mr Biegala.

Many are ill-suited to crank up their debt leverage further, so limiting their ability to stage highly-geared buy-outs. 3i Paris reckons the average company in its 67-strong portfolio – of which 12 are buy-outs – runs a debt gearing ratio of 65 per cent.

That is down from 105 per cent five years ago and probably well below the national average.

Mr Biegala believes the real need is for so-called management buy-ins, with a high component of equity supplied by institutional backers of an outside professional management team, rather than attempting to pass on the company to an unenthusiastic younger generation of shareholders.

"These days, we have two management buy-ins under negotiation for every management buy-out," says Mr Biegala.

Until recently, most French buy-outs have been set up as so-called "rachat d'entreprises par les salariés" (RES), a format allowed under a 1984 law, allowing tax concessions for staff and the company.

The big restriction, until the rules were relaxed slightly two years ago, was that staff had to own 51 per cent of the company, in contrast to the US where institutional backers usually end up with the lion's share.

That was a real problem. In the US you almost never have RES type situations," complains Mr Laurent Adamowicz, a vice president of Banque Paribas, the French investment bank.

Clearly, the RES structure is not suitable for the billion-dollar buy-outs that are a feature of the US market, yet it has still proved a useful tool for some sizeable French deals.

The Darty takeover, for instance, was an RES, helped by innovative financing from LBO France, which initiated the deal, and Credit Lyonnais, which led the funding.

Recognising the limits of RES-type staff buy-outs, the former right-wing Government issued an easier tax regime for buy-outs in early 1987, before losing to the Socialists last year.

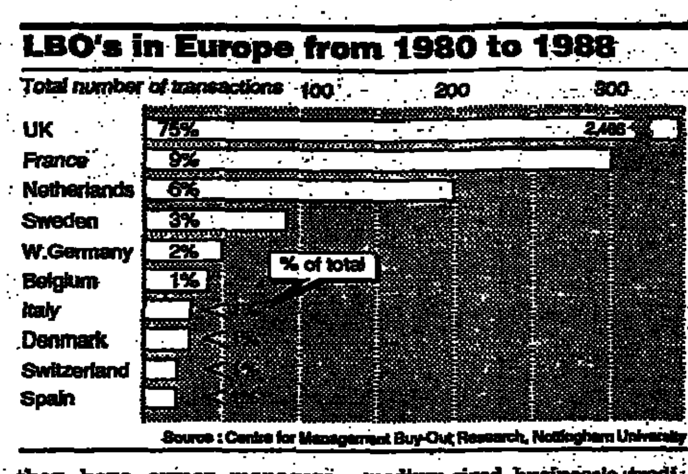
This took the form of the law of "fiscal integration," which allows the operating company being bought out and the management group doing the take-over to consolidate their taxable incomes.

AS a result buy-outs can write off interest payments in full against tax, irrespective of the level of staff ownership, a crucial part of making possible the high debt leverage typical of such deals. "That changed the landscape completely. At last you can do a true LBO without it being an RES, with all the restrictions that entails," says Mr Adamowicz.

The move also makes mezzanine financing more attractive. This is the subordinated – and usually convertible – loan stock placed between straight equity finance and primary, or senior debt. "The advantage is that it means the buyer needs to put in less equity," explains Mr Adamowicz, though he admits it may take some time for the fledgling French buy-out market fully to appreciate the usefulness of this specialised kind of funding.

But still, French tax rules for buy-outs are far from perfect, complain development capitalists. Fiscal integration, for instance, is only available if the buy-out team manages to capture 95 per cent of the shares, a far higher level than under US and British tax rules.

Mr Gilles Cahen-Salvador, senior partner in LBO France, explains: "When you are mounting a buy-out for a public company, you never know whether you are going to reach 95 per cent – and of course that makes all the difference."



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Salomon Brothers

Exxon registers 9% fall to $1.11bn

By Martin Dickson in New York

EXXON, the world's largest oil company, suffered a 9 per cent dip in third-quarter net income as lower earnings from refining, marketing and chemicals more than offset a rise in upstream profits.

The company yesterday announced net income for the quarter of $1.11bn or 87 cents a share, against $1.22bn or 93 cents in the same period of 1988. Revenue was up 8 per cent at $23.66bn.

For nine months, earnings totalled $3.42bn or $2.68 a share, compared with $3.88bn or $2.89. But that is before an $880m provision taken in the second quarter for the cost of the Valdez tanker disaster off the Alaskan coast.

The provision does not include the costs of lawsuits, and the company, which last month wound down its clean-up operations for the winter, faces a mass of claims.

Mr Lawrence Rawl, Exxon's chairman, said that while earnings were down in the quarter compared with 1988, crude production had recovered to the highest level of the year, natural gas prices had improved in key European markets, and sales of petroleum products continued to run ahead of 1988.

The third-quarter dividend was increased by 5 cents to 60 cents a share.

Earnings from exploration and production rose $213m from the 1988 third quarter to $691m, with higher crude prices partly offset by lower volumes, mainly because of North Sea production stoppages.

Refining and marketing earnings improved over the second quarter but fell $180m to $357m compared with the strong third quarter of last year. Chemicals earnings dropped $90m to $254m.

Among other oil companies reporting yesterday, Occidental Petroleum announced third-quarter income of $108m or 39 cents a share, against $105m or 38 cents in the corresponding period last year. Sales were $4.8bn against $4.9bn. However, the results were flattered by a $42m extraordinary tax gain and also included a $54m net gain from the sale of various oil and gas properties and a $22m restructuring charge.

For nine months, net income totalled $255m against $295m in 1988. Chemical operations, which have been a principal expansion area for Occidental in recent years, saw a dip in divisional earnings from $288m in the third quarter of 1988 to $254m, due to lower petrochemicals margins. Oil and gas earnings were $17m, down from $20m, with gas transmission up at $34m, compared with $9m.

Ashland Oil reported a net loss of $39m or 71 cents a share in its fourth quarter, compared with a profit of $66.2m or $1.19 in the same period last year. The poor result was due to $77.7m of unusual charges, covering a lawsuit with the National Iranian Oil Company, cost over-runs at an engineering subsidiary and a charge relating to the sale of a unit.

Net income for the year was $86m or $1.55 a share, against $223.9m or $4.01 in 1988.

The company said that net income from operations dipped from $212m to $159m in 1989, due partly to lower income from its oil business, which suffered lower than expected fourth-quarter refining margins.

Expectation of new bid helps boost UAL stock

By Roderick Oram in New York

STOCK of UAL clawed back a little ground yesterday as management, pilots and flight attendants scrambled to assemble a new offer for the parent of United Airlines, the second largest US carrier.

It was believed the buy-out group would test the waters by putting a tentative new offer to a UAL board meeting yesterday.

No formal proposal is expected soon because of the difficulties the group faces in assembling finance. Moreover, the board will consider its options slowly in the wake of the collapse 10 days ago of the initial $300-a-share offer and the subsequent withdrawal of British Airways from the buy-out group.

After the buy-out group failed to line up finance for its first offer, UAL's stock fell more than 40 per cent in a week to $168½ by last Friday's close. It rose $13¼ to $181½ by early yesterday afternoon as Wall Street took a slightly less pessimistic view of the company.

The price plunge had run up paper losses for stock speculators estimated at between $700m and $1bn, by far the biggest blow arbitrageurs have suffered from a collapsed takeover offer.

While it seemed inconceivable the buy-out group could ever assemble another $300-a-share offer, faint hopes began to surface yesterday that the group might be able to come back with a lesser proposal.

The most likely form appears to be a tender offer for a majority of the stock at more than $200 a share, leaving a minority block of publicly traded shares in the hands of outside stockholders. Under such a plan United's pilots could still achieve their long-cherished goal of controlling the airline.

In spite of the financial concessions the pilots are prepared to make to help finance a new offer, any proposal would face huge obstacles.

Not only has the spectacular failure of the first offer damaged the credibility of the buy-out group, but the financial outlook for the whole US aviation industry has begun to sour in the past month or so. The group will have to offer bank lenders far more preferential treatment than it proposed the first time.

Strong global sales push Rand Mines to new peak

By Jim Jones in Johannesburg

RAND MINES, the mining arm of the Barlow Rand group, lifted sales and profits to record levels in the year to September but it has written off some investment in three of the four gold mines it manages.

Stronger sales by coal and base minerals subsidiaries lifted the group's turnover to R1.37bn ($517m) from R957m previously. The consolidated pre-tax profit increased to R336m from R242m.

Net earnings rose to R19.29 a share from R14.67 and the year's dividend has been raised to R5.60 from R4.50.

Mr Danny Watt, chairman, said the second half's sales and profits were higher than expected because of continued buoyancy in international markets for coal and base minerals.

South Africa's coal exports have been less affected by sanctions than analysts feared, as strikes and transport problems have affected sales by other big coal exporting countries.

Ferro-chrome prices have been particularly firm, with strong demand from stainless steel manufacturers.

The group's four managed gold mines made little contribution to the consolidated cash flow in the last financial year.

Harmony and Blyvooruitzicht recently decided not to declare dividends while East Rand Proprietary Mines (ERPM) and Durban Deep have not paid dividends for several years. They are unlikely to do so in the near future.

The directors have decided to write down the group's investment in ERPM, Durban Deep and Blyvooruitzicht as they are marginal.

Blyvooruitzicht is nearing the end of its life, Durban Deep has been forced by stagnant gold prices to reduce its production and ERPM has yet to generate profits from its new mining area.

The recently renamed Crocodile River platinum mine, formerly known as Lefkochrysos, has produced its first metal and has experienced no technical difficulties.

Smurfit lifts buy-out offer for US unit

By Roderick Oram

JEFFERSON SMURFIT, the Irish packaging group, has raised its buy-out offer to the minority shareholders of Jefferson Smurfit Corp, its US subsidiary, to settle suits from dissatisfied stockholders.

The buy-out is part of a complex restructuring announced in August, under which Smurfit will releverage its US holdings so it can extract more than $1bn in profits. A pool of investors organised by Morgan Stanley, the Wall Street investment bank, is Smurfit's partner in the plan.

The new offer price to minority shareholders who own about 22 per cent of the US company is $43 a share, up from the $41.75 approved by the US subsidiaries' outside directors last month and from Smurfit's original offer of $38 in August.

SIBV/MS Holdings, a new joint venture between Smurfit and the Morgan Stanley investors, will still pay $41.75 a share for the 78 per cent of the US subsidiary currently owned by Smurfit International, a unit of the Irish company.

The settlement but not the higher price for the tender offer are subject to various conditions, including execution of a definitive merger agreement and approval by the Delaware Chancery Court.

Sharp decline at Union Carbide

By Karen Zagor in New York

UNION CARBIDE, the leading US chemicals group, reported sharply lower third-quarter earnings yesterday, reflecting the declining health of US chemical and plastics markets.

Net income for the three months ended September 30 was $139m or 98 cents a share, down 35 per cent from $213m or $1.56 a year earlier. Earnings, which included an after-tax non-recurring gain of 5 cents a share, were 25 per cent lower than the $186m posted in this year's second quarter.

Sales for the third quarter advanced 2 per cent to $2.14bn from $1.11bn. The Danbury, Connecticut-based company attributed the improvement to an 11 per cent increase in sales by its industrial gases business, offsetting lower sales from chemicals and plastics.

For the first nine months, net income advanced 5 per cent to $543m from $501m. Earnings per share rose 1 per cent to $3.74 from $3.71, or to $3.59 from $3.55 on a fully diluted basis. Sales for the period climbed 8 per cent to $6.66bn from $6.19bn.

Carbide said gross margins for the period fell to $711m from $725m. The gross margin ratio fell to 33.2 per cent, mainly a result of lower margins for the chemicals and plastics operations.

Overall operating profits fell 23 per cent to $331m. For the chemicals and plastics sides operating profits plunged 32 per cent to $238m in the quarter, after falling 9 per cent in the second quarter and 20 per cent in the first period.

Profits from the company's carbon products units plummeted 70 per cent to $6m, a result of weakness in the steel industry markets.

The industrial gases operation was Carbide's only segment to post gains in operating profits, rising 50 per cent to $87m from $58m. Excluding a one-time $10m charge in the 1988 quarter, operating profits for the sector improved 28 per cent.

Stagnant third quarter at Allied-Signal

By Karen Zagor

ALLIED-SIGNAL, the US industrial conglomerate, yesterday reported essentially flat third-quarter net income and sales.

The group, whose diverse businesses include aerospace components, automotive parts and engineered materials, had net income of $121m or 81 cents a share in the three months ended September 30, from $119m or 80 cents a year earlier. Sales fell marginally to $2.83bn from $2.86bn.

Operating income during the quarter soared to $231m from $14m a year earlier, when a pre-tax charge of $186m for streamlining and restructuring was largely offset by non-recurring gains of $165m from the sale of an automotive electronics unit and the formation of a joint venture with Union Carbide.

Earnings from the company's aerospace business soared 34 per cent to $55m from $41m, excluding charges for streamlining and restructuring. The company said income was higher for engines and auxiliary power units, with better sales and improved margins offsetting continued spending on development.

Net income for the automotive operations plunged to $11m from $33m, excluding restructuring charges and results of the automotive electronics unit. The earnings fall was attributed to an overall decline in car and truck sales and increased investment in anti-lock brake systems.

Earnings were also hurt by a poor foreign exchange rate.

The engineered materials segment reported a 5 per cent increase in earnings to $66m from $63m, excluding last year's restructuring charges.

For nine months, net income for the Morris Township, New Jersey company was $413m or $2.77 against $359m or $2.40, an increase of 15 per cent. Sales were $8.88bn from $8.90bn.

Cummins Engine losses mount

By Martin Dickson

CUMMINS ENGINE, the troubled manufacturer of diesel engines, yesterday reported a more than doubled net loss of $39.7m in the third quarter. The company, the world's largest maker of diesel engines, with over 50 per cent of the American heavy duty truck market, has been hit by a precipitous downturn in US truck sales.

Cummins, which had earlier announced it expected a substantial loss for the quarter, said the loss per share totalled $4.12 on net sales of $807.8m.

In the same period of last year the company reported a net loss of $17.6m or $1.84 a share, on sales of $808.3m.

Cummins said third-quarter results were historically the lowest because of holiday shutdowns and a seasonal drop in demand for engines and parts. It said that during the quarter engine orders from heavy duty truck customers, its single largest market, dropped substantially.

At the same time, sales of generator sets for marine and recreational vehicle markets – particularly high-margin businesses – were off 30 per cent compared with a year ago.

An official said that the third quarter, although traditionally weak, had been worse this year than last. Some pick-up in the marine market was now evident, while industrial generator set sales had held up well.

Meanwhile, nine-month net earnings totalled $3.6m on sales of $2.7bn and a loss per share of 31 cents. In the same period of 1988 there was a net loss of $8.4m or $1.86 a share on sales of $2.4bn.

During the summer, in response to sharply reduced truck engine production, the company laid off 300 production workers in south Indiana, while the pay of salaried employees was cut by 5 per cent and that of executives by 7.5 to 10 per cent.

Hasbro meets forecast with 73% profits rise

By Our Financial Staff

SHARPLY HIGHER third-quarter revenues and earnings are reported by Hasbro, the world's leading toy company. Net earnings jumped 73.1 per cent to $31.3m or 53 cents a share, from $18.1m or 31 cents a year ago. Revenues increased by 9.4 per cent to $403m from $368.4m.

This brought net earnings for the nine months ended October 1 to $68.2m or $1.15, an increase of 32.9 per cent from the $51.3m or 88 cents reported for the same period last year. Revenues for the nine months totalled $992.7m, against $962.9m in 1988.

Mr Alan Hassenfeld, chairman and chief executive of the New York-based group, said the latest figures were in line with expectations and showed a significant improvement over 1988, even allowing for the $10m pre-tax provision made last year for ending development of the company's interactive video entertainment system. Third-quarter gross profit margins improved on the previous three months, he added.

Revenues from the Milton Bradley and Playskool units continued to improve, as did international units overall in spite of being negatively affected in Europe by the strengthened dollar.

Improvement in margins aids McDonald's

By Our Financial Staff

HIGHER third-quarter results reported by McDonald's Corporation, the fast-food chain, reflect improved margins at company-operated restaurants of 19.3 per cent, up from 18.4 per cent a year ago.

McDonald's posted net income of $217.9m or 59 cents a share, up from $191.3m or 51 cents a year ago.

Quarterly revenues rose to $1.63bn from $1.46bn a year earlier.

Nine-month earnings totalled $555.6m or $1.49 a share, up from $494m or $1.31. Revenues were $4.56bn against $4.12bn.

Ford to curb US imports of models from Europe

By Kevin Done, Motor Industry Correspondent

FORD is to give up importing its European top-of-the-range Ford Scorpio to the US and is to abandon its Merkur brand name in the US.

Ford established the Merkur marque in the US in 1985 in an attempt to set up a separate franchise for importing top-of-the-range cars from its European operations, to compete with other European car makers in North America.

The experiment never succeeded, however, and Ford has now decided to concentrate on its US-produced Lincoln cars to increase its penetration of the US luxury car market.

Ford's decision to abandon the Merkur experiment will add fresh urgency to its current attempt to gain control of Jaguar, the UK luxury car maker. Jaguar has more than 40 per cent of its sales in the US and sells in a rarified segment of the US car market above $40,000, a segment in which Ford is not represented.

Ford has already bought an equity stake of at least 10.4 per cent in Jaguar and is aiming to buy up to 15 per cent, the maximum currently allowed for a single shareholder by Jaguar's articles of association.

It is facing fierce competition from General Motors, its arch domestic rival, however, which is currently in friendly negotiations with Jaguar and which is considering taking a minority stake.

Ford said it was discontinuing Merkur imports from Europe because of "less than anticipated sales volumes."

Sales of the Scorpio in the US totalled 9,516 last year and had fallen to only 2,596 in the first nine months this year.

Interim advance at Kao

By Stefan Wagstyl in Tokyo

KAO, the Japanese maker of soaps, detergents and toiletries, yesterday posted a 10 per cent gain in interim pre-tax profits to Y17.9bn ($125.7m), in the face of increasingly intense competition in the domestic market.

Sales rose just 3.1 per cent to Y259bn in the six months to September. Operating profits were a bare 1.6 per cent higher at Y17bn, with gains in non-operating profits boosting the overall result.

The largest sales increases were recorded by the company's new and fast-expanding chemical products division, which produces chemicals and floppy disks.

Sales were 7.6 per cent higher at Y35.4bn.

In the core household and personal products divisions, sales growth was held back by tough competition, particularly in hygiene products and in laundry detergents and cleaning agents. Sales of personal care products were supported by new lines, including a pre-shave lotion.

Kao said it would redouble its efforts in research and development to counter competition at home and overseas.

The group expects further growth in the current year, with sales forecast at Y545bn, from Y521bn, and pre-tax profits at Y37.5bn, from Y35bn.

INTERNATIONAL COMPANIES AND FINANCE

Japanese brokers hold growth despite slide in TSE volume

By Ian Rodger in Tokyo

A BOOM in trading of warrants, mainly on Japanese corporate bonds issued in the Euromarkets, enabled Japan's Big Four securities houses to maintain profit growth in the six months to September, despite a slide in trading volume on the Tokyo Stock Exchange.

The profits of Nomura Securities, the largest securities house, on warrant trading soared to Y73,847bn ($520bn), up 89 per cent on the previous six-month period to March, the basis on which the brokerages compare their results.

At Daiwa Securities, profits from this business were up 65.8 per cent to Y31,103bn, those of Nikko Securities were up 17.6 per cent to Y16,962bn and at Yamaichi Securities up 63.4 per cent to Y17,490bn.

Apart from the warrant trading and an active new issue market, the securities houses' results were dull. Nomura said TSE trading volume fell due to the rise of the discount rate, the appreciation of the dollar and the unstable political scene.

Nomura traded 19.6m shares for customers, down 42 per cent from the previous six months to March. However, high corporate profits supported share prices.

The value of transactions was down only 26 per cent to Y33,100bn. Nomura underwrote Y723.3bn in new isues, down 32 per cent from the previous period.

The bond market was weak because of the rising trend of interest rates and the depreciation of the yen, and despite the development of the bond options and bond lending markets.

Nomura's trading volume was down 7 per cent from the previous six month period to Y272,000bn, and the net gain on trading was off 38 per cent to Y12.6bn.

The company placed Y3,000bn worth of beneficiary certificates of investment trusts during the period, up 2 per cent, and the outstanding balance of Y12,600bn was virtually unchanged.

Daiwa Securities, the second largest company, said its commission income was down 4.9 per cent to Y228.9bn compared with the six months to March 31.

Nikko Securities said it made special efforts to promote business in foreign bond issues and achieved a 6 per cent rise in trading value to Y185,760bn. Bond futures trading rose 11 per cent to Y112,000.

The value of Nikko's new bond issue subscriptions and distribution was up 20 per cent to Y1,195.6bn. Similarly, its subscription and sale of investment trusts rose 23 per cent to Y2,420bn. Growth was stimulated by programmed trading funds, the company said.

Yamaichi Securities said its share trading value dropped 19 per cent to Y25,480bn and its commissions fell 11 per cent to Y114bn.

Nikko and Yamaichi made profits of Y1,668bn and Y2,922bn respectively on bond dealing after losses in the previous period.

● Daiwa named Mr Masahiro Dozen as its new president. Mr Dozen, aged 53, yesterday replaced Mr Sadakane Doi, who has been president for nine years and now becomes vice chairman. Mr Yoshitoki Chino retains the chairmanship.

JAPANESE SECURITIES HOUSES
Parent company results, half-year to September*

	Operating income		Pre-tax profit		Net profit	
	Ybn	%	Ybn	%	Ybn	%
Nomura	486,099	-3.1	248,913	+0.9	107,865	+3.7
Daiwa	332,375	+5.5	171,036	+9.6	79,029	+20.6
Nikko	293,287	+4.0	130,252	+1.6	63,521	+23
Yamaichi	279,753	+5.3	117,936	+8.9	55,585	+20.8

* Comparisons are against the six months to March 1989

Court bars Paladin AGM

PALADIN, an investment holding company listed in Hong Kong and New Zealand, adjourned its annual meeting indefinitely yesterday after a Bermudan court ruling, Reuter reports from Hong Kong.

A group of minority shareholders linked with a private Hong Kong company called Laisee, obtained a Bermuda Supreme Court order on Friday, stopping the meeting until the court decides whether a block of 14.2m shares can be used for voting.

These shares are held by five nominee companies.

The New Zealand High Court ruled last Thursday the shares could not be used in the meeting because the identity of the owners was unclear.

Laisee, controlled mainly by Taiwanese businessmen, is trying to get three candidates on to the board of Paladin, which is incorporated in Bermuda.

NTT under fire as critics seek to ring the changes

Stefan Wagstyl finds the Japanese telecommunications group fighting for survival as a single entity

Nippon Telegraph & Telephone, the embattled Japanese telecommunications group, is bracing itself for a fight for survival as a single independent company in the face of intense pressure from government bureaucrats.

The next few months will be crucial in determining how well the company can meet the challenge from officials of the Ministry of Posts and Telecommunications, many of whom would like to see the the giant group broken into smaller entities.

NTT, which was run by the ministry until it was privatised in 1987, is opposed to being taken apart like AT&T was in the US in the early 1980s. But, in order to answer its critics, it must change radically in ways which will affect its 277,000 employees, 40m subscribers and 1.5m shareholders.

It will have to accelerate efforts to cut costs and to improve telephone services, whilst it may find its freedom to enter into new businesses will be increasingly restricted.

Earlier this month the ministry published an interim report from the Telecommunications Council, an advisory body, which recommended breaking up NTT. It said NTT was too big to be properly managed or to allow fair competition in the telecommunications market.

The 40 new companies which had been permitted to enter the market since privatisation could not compete fairly against the giant. Also, NTT was able to exert an inordinate influence over its suppliers. The report recommended dividing NTT into one long-distance call company and 11 local-service companies.

The council is due to complete a final report by January or February next year, when it is expected to state its conclusions even more forcefully than the interim report.

NTT, which had hoped the report would be less forthright, is trying to marshal support. Mr Haruo Yamaguchi, the president, said yesterday this was difficult since the telecommunications council was very influential. The company also ran into heavy public criticism over its involvement in the Recruit financial affair. Nevertheless, NTT has a few big guns on its side – including the Fair Trade Commission, which supervises competition policy, and researchers at the Ministry for International Trade and Industry and at the Keidanren, the largest Japanese employers' federation.

A division of NTT would require the passing of a new law, so the company is also courting the political parties. "The basic things about NTT are decided by the Government," said Mr Yamaguchi.

Analysts believe NTT will probably win the fight against an early break-up – if only because the three years since privatisation provide insufficient evidence about its performance. But the price NTT will have to pay for a delay is greater bureaucratic control, starting with an acceptance of many of the criticisms made in the ministry's report.

"In that sense the Government is guiding us," said Mr Yamaguchi. He added the changes would cover further cuts in the workforce, reductions in rates and improvements in services. NTT has shrunk its workforce from 304,000 in 1986 to 277,000 in March this year. But the interim report said the ratio of labour costs to total expenditure was rising. Working hours were short compared with other industries.

Nevertheless, NTT is planning further reductions – though only through natural wastage not dismissals. As for price cuts, Mr Yamaguchi said NTT, which last year had revenues of Y5,841bn, had made cuts equivalent to Y200bn a year since privatisation.

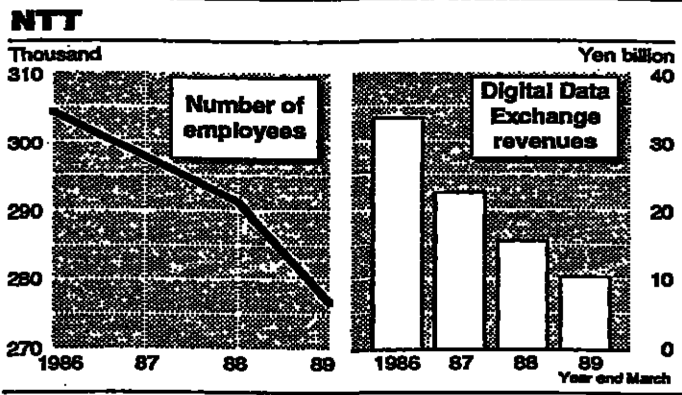
Further reductions in the price of long-distance calls are under consideration. The local call charge – Y10 for three minutes – is known as one of the very few bargains in Japan. Mr Yamaguchi said it would not be raised because of opposition from consumers. Planned improvements in services include investment in high-technology circuits with the aim of creating a digital communications network across Japan to replace conventional analogue systems.

NTT has brought forward from the late to the early 1990s its deadline for completing this project. Meanwhile, staff in offices are being galvanised by a nationwide campaign called Best Service to be more attentive to customers.

In this way, Mr Yamaguchi hopes to outflank the ministry, by getting the consumers on to his side. The whole debate over NTT had ignored consumers, he said yesterday. It could turn out to be a winning theme because of a growing realisation in Japan that consumers' interests are frequently sacrificed for the sake of industry.

If these arguments fail, Mr Yamaguchi has one more powerful point to make – the cost and disruption which break-up would entail. The interim report put this at Y300bn. NTT says it could be 10 times higher, at up to Y3,000bn.

Moreover, Mr Yamaguchi said, the experience of the US showed that while business customers were generally satisfied with the dismantling of AT&T, because long-distance charges fell, ordinary people were not because the cost of local calls had risen.



PM'S OFFICE JOINS BREAK-UP CALL

THE JAPANESE Prime Minister's office has added its voice to the growing chorus demanding the reform or break-up of Nippon Telegraph & Telephone, the telecommunications giant, writes Stefan Wagstyl.

The overwhelming dominance of NTT, which has a market share of 98 per cent, should end, said a report from a study group attached to the PM's office. NTT had to cut its staff, improve its organisation and increase the access of new communications companies to the telephone network.

Consumers expected cheaper services from NTT and more diversified services, said the report. The report's implied message was that if NTT failed to reform itself, it should be broken into smaller entities.

The report echoed criticisms earlier this month by a research group attached to the Ministry of Posts and Telecommunications.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 23,1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	62.2257	33.5587	43.7224
Albania	(Lek)	10.06	6.3072	3.4015	4.4317
Algeria	(Dinar)	12.8697	8.0687	4.3515	5.6694
Andorra	(Fr Fr)	10.0475	6.2993	3.3972	4.4262
	(Sp Peseta)	188.50	118.1818	63.7362	83.0396
Angola	(Kwanza)	47.006	29.4708	15.8938	20.7074
Antigua	(E Carr $)	4.28895	2.6889	1.4501	1.8893
Argentina	(Austral)	1039.80	651.9122	351.5807	458.0616
Aruba	(Florin)	2.843	1.7824	0.9612	1.2524
Australia	(Aus $)	2.0648	1.2945	0.6981	0.9096
Austria	(Schilling)	20.79	13.0344	7.0295	9.1585
Azores	(Port Escudo)	252.85	158.5266	85.4945	111.3876
Bahamas	(Bahama $)	1.5950	1	0.5393	0.7026
Bahrain	(Dinar)	0.6001	0.3762	0.2029	0.2643
Balearic Is	(Sp Peseta)	188.50	118.1818	63.7362	83.0396
Bangladesh	(Taka)	50.00	31.3479	16.9061	22.0264
Barbados	(Barb $)	3.1950	2.0031	1.0803	1.4074
Belgium	(Belg Fr)	62.15c	38.9655	21.0143	27.3788
		62.35g	39.0909	21.0819	27.4669
Belize	(B $)	3.177	1.9918	1.0742	1.3995
Benin	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Bermuda	(Bermudian $)	1.5950	1	0.5393	0.7026
Bhutan	(Ngultrum)	26.50	16.6144	8.9602	11.6740
Bolivia	(Boliviano)	4.5590	2.8583	1.5415	2.0083
Botswana	(Pula)	3.1350	1.9655	1.0600	1.3810
Brazil	(Cruzado)	4.1835	2.6228	1.4145	1.8429
British Virgin Is	(US $)	1.5950	1	0.5393	0.7026
Brunei	(Brunei $)	3.1190	1.9554	1.0546	1.3740
Bulgaria	(Lev)	1.3344	0.8366	0.4511	0.5878
Burkino Faso	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Burma	(Kyat)	10.7780	6.7573	3.6442	4.7480
Burundi	(Burundi Fr)	248.50	155.7993	84.0236	109.4713
Cameroon	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Canada	(Canadian $)	1.8690	1.1717	0.6319	0.8233
Canary Is	(Sp Peseta)	188.50	118.1818	63.7362	83.0396
Cp. Verde Is	(CV Escudo)	127.207	79.7536	43.0116	56.0383
Cayman Is	(CI $)	1.3185	0.8266	0.4458	0.5808
Cent.Afr. Rep	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Chad	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Chile	(Chilean Peso)	430.13	269.6739	145.4370	189.4845
China	(Renminbi Yuan)	5.95165	3.7314	2.0123	2.6218
Colombia	(Col Peso)	657.86	412.4514	222.4378	289.8061
Comoro Is	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Congo (Brazz)	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Costa Rica	(Colon)	132.084	82.8112	44.6606	58.1867
Cuba	(Cuban Peso)	1.2098	0.7584	0.4090	0.5329
Cyprus	(Cyprus £)	0.7850	0.4921	0.2654	0.3458
Czechoslovakia	(Koruna)	23.67c	14.8401	8.0033	10.4273
		15.34l	9.6175	5.1868	6.7577
		15.26t	9.5673	5.1597	6.7224
Denmark	(Danish Kroner)	11.5275	7.2272	3.8977	5.0781
Djibouti Rep	(Djib Fr)	328.20	205.7680	110.9721	144.5814
Dominica	(E Carrib $)	4.28895	2.6889	1.4501	1.8893
Dominican Rep	(D Peso)	10.655	6.6802	3.6027	4.6938
Ecuador	(Sucre)	898.73o	563.4670	303.8816	395.9162
		931.40a	583.9498	314.9281	410.3083
Egypt	(Egyptian £)	413.10	258.9968	139.6787	181.9823
El Salvador	(Colon)	7.9675	4.9952	2.6939	3.5099
Equat'l Guinea	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Ethiopia	(Ethiopian Birr)	3.26375	2.0462	1.1035	1.4377
Falkland Is	(Falk £)	1.00	0.6269	0.3381	0.4405
Faroe Is	(Danish Kroner)	11.5275	7.2272	3.8977	5.0781
Fiji Is	(Fiji $)	239.97	150.4514	81.1394	105.7136
Finland	(Markka)	6.7717	4.2455	2.2896	2.9831
France	(Fr)	10.0475	6.2993	3.3972	4.4262
Fr. Cty/Africa	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Fr. Guiana	(Local Fr)	10.0475	6.2993	3.3972	4.4262
Fr. Pacific Is	(CFP Fr)	181.43	113.7492	61.3457	79.9251
Gabon	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Gambia	(Dalasi)	12.163	7.6257	4.1125	5.3581
Germany East	(Ostmark)	2.9575	1.8542	1	1.3028
Germany West	(DMark)	2.9575	1.8542	1	1.3028
Ghana	(Cedi)	455.169	285.3724	153.9032	200.5149
Gibraltar	(Gib £)	1.00	0.6269	0.3381	0.4405
Greece	(Drachma)	264.30	165.7053	89.3660	116.4317

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Greenland	(Danish Krone)	11.5275	7.2272	3.8977	5.0781
Grenada	(E Carr $)	4.28895	2.6889	1.4501	1.8893
Guadaloupe	(Local Fr)	10.0475	6.2993	3.3972	4.4262
Guam	(US $)	1.5950	1	0.5393	0.7026
Guatemala	(Quetzal)	4.5415	2.8473	1.5355	2
Guinea	(Fr)	476.55	298.7774	161.1327	209.9339
Guinea-Bissau	(Peso)	1032.53	647.3542	349.1225	454.8590
Guyana	(Guyanese $)	47.54	29.8056	16.0743	20.9427
Haiti	(Gourde)	7.9425	4.9796	2.6855	3.4988
Honduras	(Lempira)	3.1870	1.9981	1.0775	1.4039
Hong Kong	(HK $)	12.4313	7.7939	4.2033	5.4763
Hungary	(Forint)	94.4025	59.1865	31.9196	41.5870
Iceland	(Icelandic Krona)	98.45	61.7241	33.2882	43.3700
India	(Indian Rupee)	26.50	16.6144	8.9602	11.6740
Indonesia	(Rupiah)	2854.525	1789.6708	965.1817	1257.5000
Iran	(Rial)	115.00	72.1003	38.8841	50.6607
Iraq	(Iraqi Dinar)	0.49489	0.3102	0.1673	0.2179
Irish Rep	(Punt)	1.1110	0.6965	0.3756	0.4894
Israel	(Shekel)	3.16	1.9811	1.0684	1.3920
Italy	(Lira)	2173.25	1362.5391	734.8267	957.3788
Ivory Coast	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Jamaica	(Jamaican $)	9.1510	5.7373	3.0941	4.0312
Japan	(Yen)	227.00	142.3197	76.7540	100
Jordan	(Jordanian Dinar)	1.0591	0.6640	0.3581	0.4665
Kampuchea	(Riel)	239.25	150	80.8960	105.3964
Kenya	(Kenya Shilling)	34.30	21.5047	11.5976	15.1101
Kiribati	(Australian $)	2.0648	1.2945	0.6981	0.9096
Korea North	(Won)	1.5408	0.9660	0.5209	0.6787
Korea South	(Won)	1068.70	670.0313	361.3524	470.7929
Kuwait	(Kuwaiti Dinar)	0.4750	0.2978	0.1606	0.2092
Laos	(New Kip)	926.10	580.6269	313.1360	407.9735
Lebanon	(Lebanese £)	715.05	448.3072	241.7751	315
Lesotho	(Maluti)	4.2405	2.6586	1.4338	1.8680
Liberia	(Liberian $)	1.5950	1	0.5393	0.7026
Libya	(Libyan Dinar)	0.4772	0.2991	0.1613	0.2102
Liechenstein	(Swiss Fr)	2.5925	1.6253	0.8765	1.1420
Luxembourg	(Lux Fr)	62.15	38.9655	21.0143	27.3788
Macao	(Pataca)	12.8147	8.0342	4.3329	5.6452
Madeira	(Port Escudo)	252.85	158.5266	85.4945	111.3876
Malagasy Rep	(MG Fr)	2281.25	1430.2507	771.3440	1004.9559
Malawi	(Kwacha)	4.3635	2.7357	1.4754	1.9222
Malaysia	(Ringgit)	4.2890	2.6890	1.4502	1.8894
Maldive Is	(Rufiya)	14.312	8.9730	4.8392	6.3048
Mali Rep	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Malta	(Maltese £)	0.5520	0.3460	0.1866	0.2431
Martinique	(Local Fr)	10.0475	6.2993	3.3972	4.4262
Mauritania	(Ouguiya)	135.864	85.1811	45.9387	59.8519
Mauritius	(Maur Rupee)	24.75	15.5172	8.3685	10.9030
Mexico	(Mexican Peso)	4142.18a	2596.9780	1400.5680	1824.7488
		4068.15d	2550.5642	1375.5367	1792.1365
Miquelon	(Local Fr)	10.0475	6.2993	3.3972	4.4262
Monaco	(French Fr)	10.0475	6.2993	3.3972	4.4262
Mongolia	(Tugrik)	5.3302	3.3418	1.8022	2.3481
Montserrat	(E Carr $)	4.28895	2.6889	1.4501	1.8893
Morocco	(Dirham)	13.3661	8.3800	4.5193	5.8881
Mozambique	(Metical)	1283.508	804.7072	433.9841	565.4220
Namibia	(S A Rand)	4.2405	2.6586	1.4338	1.8680
Nauru Is	(Australian $)	2.0648	1.2945	0.6981	0.9096
Nepal	(Nepalese Rupee)	38.124	23.9021	12.8906	16.7947
Netherlands	(Guilder)	3.3425	2.0956	1.1301	1.4724
N'nd Antilles	(A/Guilder)	2.8593	1.7926	0.9667	1.2596
New Zealand	(NZ $)	2.6980	1.6915	0.9122	1.1885
Nicaragua	(Cordoba)	33941.35	21279.9686	11476.4327	14952.2246
Niger Rep	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Nigeria	(Naira)	11.644	7.3003	3.9371	5.1295
Norway	(Nor. Krone)	11.0425	6.9231	3.7337	4.8645
Oman	(Rial Omani)	0.6126	0.3840	0.2071	0.2698
Pakistan	(Pak. Rupee)	33.20	20.8150	11.2256	14.6255
Panama	(Balboa)	1.5950	1	0.5393	0.7026
Papua New Guinea	(Kina)	1.3799	0.8651	0.4665	0.6078
Paraguay	(Guarani)	2006.22	1257.8181	678.3499	883.7973

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Peru	(Intl)	8633.58	5412.9028	2919.2155	3803.3392
Philippines	(Peso)	33.40	20.9404	11.2933	14.7136
Pitcairn Is	(£ Sterling)	1.00	0.6269	0.3381	0.4405
	(NZ $)	2.6980	1.6915	0.9122	1.1885
Poland	(Zloty)	3299.92	2068.9153	1115.7802	1453.7092
Portugal	(Escudo)	252.85	158.5266	85.4945	111.3876
Puerto Rico	(US $)	1.5950	1	0.5393	0.7026
Qatar	(Riyal)	5.7945	3.6329	1.9592	2.5526
Reunion Is. de la	(F/Fr)	10.0475	6.2993	3.3972	4.4262
Romania	(Leu)	14.37	9.0094	4.8588	6.3303
Rwanda	(Fr)	127.42	79.8871	43.0836	56.1321
St Christopher	(E Carr $)	4.28895	2.6889	1.4501	1.8893
St Helena	(£)	1.00	0.6269	0.3381	0.4405
St Lucia	(E Carr $)	4.28895	2.6889	1.4501	1.8893
St Pierre	(French Fr)	10.0475	6.2993	3.3972	4.4262
St Vincent	(E Carr $)	4.28895	2.6889	1.4501	1.8893
San Marino	(Italian Lira)	2173.25	1362.5391	734.8267	957.3788
Sao Tome	(Dobra)	169.99	106.5768	57.4775	74.8854
Saudi Arabia	(Riyal)	5.9688	3.7421	2.0181	2.6294
Senegal	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Seychelles	(Rupee)	8.90	5.5799	3.0092	3.9207
Sierra Leone	(Leone)	99.60	62.4451	33.6770	43.8766
Singapore	($)	3.1190	1.9554	1.0546	1.3740
Solomon Is	($)	3.8087	2.3878	1.2878	1.6778
Somali Rep	(Shilling)	651.285	408.3291	220.2147	286.9096
South Africa	(Rand)	4.2405c	2.6586	1.4338	1.8680
		6.2828g	3.9390	2.1243	2.7677
Spain	(Peseta)	188.50	118.1818	63.7362	83.0396
Spanish Ports in N Africa	(Sp Peseta)	188.50	118.1818	63.7362	83.0396
Sri Lanka	(Rupee)	63.00	39.4984	21.3017	27.7533
Sudan Rep	(£)	7.1483	4.4816	2.4170	3.1490
Surinam	(Guilder)	2.835	1.7774	0.9585	1.2488
Swaziland	(Lilangeni)	4.2405	2.6586	1.4338	1.8680
Sweden	(Krona)	10.2725	6.4404	3.4733	4.5253
Switzerland	(Fr)	2.5975	1.6285	0.8782	1.1442
Syria	(£)	33.359	20.9147	11.2794	14.6955
Taiwan	($)	41.05	25.7366	13.8799	18.0837
Tanzania	(Shilling)	228.80	143.4482	77.3626	100.7929
Thailand	(Baht)	40.70	25.5172	13.7616	17.9295
Togo Rep	(CFA Fr)	502.375	314.9686	169.8647	221.3105
Tonga Is	(Pa Anga)	2.0648	1.2945	0.6981	0.9096
Trinidad/Tobago	($)	6.751	4.2326	2.2826	2.9740
Tunisia	(Dinar)	1.51405	0.9492	0.5119	0.6669
Turkey	(Lira)	3649.82	2288.2884	1234.0896	1607.8502
Turks & Caicos	(US $)	1.5950	1	0.5393	0.7026
Tuvalu	(Australian $)	2.0648	1.2945	0.6981	0.9096
Uganda	(New Shilling)	315.865	198.0344	106.8013	139.1475
U A E	(Dirham)	5.8448	3.6644	1.9762	2.5748
United Kingdom	(£)	1.00	0.6269	0.3381	0.4405
United States	(US $)	1.5950	1	0.5393	0.7026
Uruguay	(Peso)	1130.59	708.8338	382.2789	498.0572
USSR	(Rouble)	0.9977	0.6255	0.3373	0.4395
Vanuatu	(Vatu)	189.00	118.4952	63.9053	83.2599
Vatican	(Lira)	2173.25	1362.5391	734.8267	957.3788
Venezuela	(Bolivar)	61.99	38.8652	20.9602	27.3083
Vietnam	(Dong)	7148.25	4481.6614	2416.9907	3149.0088
Virgin Is-British	(US $)	1.5950	1	0.5393	0.7026
Virgin Is-US	(US $)	1.5950	1	0.5393	0.7026
Western Samoa	(Tala)	3.6160	2.2670	1.2226	1.5929
Yemen	(Rial)	15.488	9.7103	5.2368	6.8229
Yemen PDR	(Dinar)	0.5449	0.3416	0.1842	0.2400
Yugoslavia	(Dinar)	69468.00	43553.6050	23488.7573	30602.6431
Zaire Rep	(Zaire)	692.52	434.1818	234.1572	305.0748
Zambia	(Kwacha)	27.10	16.9905	9.1631	11.9383
Zimbabwe	($)	3.5150	2.2037	1.1885	1.5484

Special Drawing Rights October 20,1989 United Kingdom £1.24658 United States $1.27709 Germany West D Mark 2.36300 Japan Yen181.283 European Currency Unit Rates October 23,1989 United Kingdom £1.43819 United States $1.10660 Germany West D Mark 2.05440 Japan Yen157.469

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday, October 23,1989

INTERNATIONAL CAPITAL MARKETS

Success and scepticism greet covered warrants

William Dullforce reports on the controversy surrounding a new Swiss equity instrument

Investors' enthusiasm for covered warrants in Swiss equities is provoking argument in Zurich and Geneva about whether their impact on the stock market is healthy or not. Some brokers claim that the warrants are draining away liquidity.

The contention is not sustained in a study by Lombard, Odier, the Geneva private bank, which should be of particular interest to investors in London and Frankfurt, which have introduced this new equity instrument.

Covered warrants resemble the warrants convertible into shares attached to corporate bond issues. The main difference is that they are issued by banks or other institutions which hold the shares at the disposal of the warrant-holders during the lifetimes of the warrants – usually two to three years.

They were invented by Mr Martin Ebner of BZ Bank, Zurich, in late 1988, primarily as a means of allowing foreigners to invest in instruments attached to Swiss companies' registered stock.

Registered shares were trading at up to 50 per cent discounts to bearer shares, mainly because foreigners could not buy them. Covered warrants are issued at premiums, averaging some 15 per cent of the cash value of the underlying stock. They also have the advantage of being free of Swiss stamp duty. Warrants are now being written on baskets of blue-chip shares.

Lombard, Odier examines the argument that covered warrants diminish the number of shares available for trading in the underlying stocks and that by withdrawing shares from a relatively thin market, they induce greater volatility in prices.

By the end of September this year, registered shares with a market capitalisation of around SFr8bn ($4.9bn), or 7.5 per cent of the capitalisation of all Swiss registered stock, were covering warrants. Altogether some 50 warrants, including those written on bearer and non-voting shares, accounted for more than SFr11bn or 4.1 per cent of total Swiss market capitalisation.

In 10 stocks, including Ciba-Geigy, Sandoz, Winterthur, Zurich Insurance and Union Bank of Switzerland, over 10 per cent of their market capitalisation was in covered warrants.

Nevertheless, Lombard, Odier finds no evidence to show that prices have become more volatile among stocks on which warrants have been outstanding for some time. The bank's analysts single out two positive features:

- The shares underlying the warrants are being monitored more closely by a greater number of analysts and investors because of the leverage involved; a more closely monitored market is a more efficient one, Lombard, Odier notes.
- The warrants are generally more attractive in terms of premiums than the shorter-lived options traded on the Swiss Options and Financial Futures Exchange (Soffex).

However, the bank considers that the warrants' main appeal still lies in the fact that, albeit indirectly, they allow foreigners to buy Swiss registered stock. The point is contested by Mr Ebner, whose BZ Bank is still the major player on this market.

First, he argues, many warrants are now being written on bearer and non-voting stock. Second, Lombard, Odier has under-estimated the growing interest among Swiss institutional investors.

Covered warrants have made a strong contribution to liquidity on the Swiss equities market, Mr Ebner says, because pension funds and insurance companies, which previously sat passively on large blocks of shares, have been persuaded to write warrants on them and trade in the warrants.

Pension and other fund managers have realised that by writing warrants on their block holdings they can increase their book value, create a new market and generate cash, which they may plough back into the market.

However, volume is necessary to create liquidity and Mr Ebner is concerned that some recent warrants have been issued on stocks capitalised at less than SFr10m.

Lombard, Odier and Mr Ebner agree that the market of covered warrants is unlikely to continue growing as fast as it has done in the last 12 months – although Mr Ebner could envisage the value of registered shares covering warrants reaching 10 per cent of market capitalisation.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 23

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available-previous day's price

† Only one market maker supplied a price

[illegible]

[illegible]

INTERNATIONAL CAPITAL MARKETS

Treasuries rise in anticipation of Fed easing

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bonds moved modestly higher yesterday morning, on optimism that the weakening economy would allow the US Federal Reserve to ease monetary policy again soon.

At midsession, medium-dated maturities showed the largest gains, with some issues up ⅝ point. The Treasury's benchmark long bond was quoted up ¼ point for a yield of 7.96 per cent.

GOVERNMENT BONDS

The key data due for release this week are durable goods orders for September out today, which are expected to have fallen by around 1.6 per cent, and preliminary third-quarter GNP on Thursday, which is forecast to show a rise of around 2.5 per cent, the same as in the second quarter.

Drexel Burnham's bond research team thinks the preliminary figures may come in at under 2 per cent but that revised third-quarter GNP may rise to 2.7 per cent to 3 per cent.

The bond market's optimism seems to be based on hopes of a figure under 2 per cent.

Today, the Treasury will auction $10bn of two-year notes followed by $4.5bn in Refco bonds tomorrow, the first portion of the financing needed to fund the bail-out of the thrift industry. The Treasury has also expanded its weekly auctions of three- and six-month bills.

The Fed yesterday announced three-day matched sales, consistent with a Fed funds target of around 8¾ per cent.

■ THE UK government bond market spent yesterday doing very little apart from anticipating the likely damage of today's trade figures, but none the less managed to "float upwards" gently.

The mean expectation for the deficit was in the range of £1.6bn, which would have an indifferent impact on the market. A third poor figure in a row, traders indicated, would have a profound effect — and eradicate the gains left from the equity market upheavals last week.

A good figure of around £1bn would, in contrast, leave the market improved by a couple of points. "This last happened in June, when an unexpectedly good number put two points on gilts in 20 minutes," a dealer said.

Both medium and longer-dated stocks boasted slight increases despite the prevailing nervousness. The Treasury 10 per cent 1994 moved up 3/16, while the Treasury 1999 10.5 per cent put on a gain of 1/32.

Analysts attributed the movements to sterling's stronger performances on the foreign exchanges against the D-Mark and the dollar and to anticipation of the wage round in Germany and strike ballots in the engineering unions in the UK.

■ IN FRANCE, the only activity in a day of unremitting dullness was provided by the auction of 13-week Treasury bills, for which there was fairly strong demand.

The two-year bills' rate rose to 9.52 per cent from 9.48 per cent at the last weekly tender, and the five years' was offered at 9.24, a fraction better than the market was expecting.

Without sufficient attractions to hold investors' interest in the face of short-term interest rates obtainable elsewhere, "the appetite for the bills was not voracious," a trader at James Capel's Paris office reported.

On both cash and futures markets there was little movement to speak of. Prices moved in step with German bunds, but stayed within a very tight range. Only 16 centimes separated the day's highs from the day's lows. Bonds closed at the bottom of the day's range and the ending of the Peugeot strike had little effect.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	104-24	+3/32	11.52	11.41	11.15
		9.750	1/98	95-07	+2/32	10.62	10.57	10.39
		9.000	10/08	94-14	+1/32	9.64	9.61	9.46
US TREASURY *		8.000	8/99	100-10	-6/32	7.95	7.95	8.23
		8.125	8/19	101-25	-11/32	7.97	7.94	8.20
JAPAN	No 111	4.600	6/98	95.3838	-0.310	5.39	5.28	5.28
	No 2	5.700	3/07	104.1885	-0.286	5.24	5.21	5.12
GERMANY		6.750	6/99	98.1000	-0.100	7.02	7.00	6.89
FRANCE	BTAN	8.000	7/94	95.2816	-0.070	9.26	9.18	8.90
	OAT	8.125	5/99	95.5100	-0.200	8.82	8.78	8.60
CANADA *		9.500	10/98	100.2500	-	9.48	9.48	9.85
NETHERLANDS		7.250	7/99	98.7100	-0.140	7.44	7.42	7.22
AUSTRALIA		12.000	7/99	90.2709	-0.687	13.84	13.61	13.48

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Rothschild family returns to its roots in Frankfurt

By Haig Simonian

EIGHTY-EIGHT years after leaving Frankfurt, the city where the Rothschild family's banking business was born nearly two centuries ago, it is moving back with a new joint representative office for its London, Paris and Zurich banking operations.

Founded by the legendary Mayer Amschel Rothschild in 1792, the Rothschild's bank was arguably the world's first "multinational financial institution," according to Mr Bernard Myers, a managing director of N.M. Rothschild in London.

For it was Mayer Amschel Rothschild's decision to send his four sons to establish banks in London, Paris, Vienna and Naples that created the roots of what has become one of the world's largest private financial networks and a byword for wealth across Europe.

Speaking in Frankfurt yesterday about the Rothschilds' return, Baron David de Rothschild, senior partner of Rothschild & Compagnie, Banque, in Paris, stressed that "the decision had been made according to business criteria, not emotional criteria."

The family's decision to leave the city in 1901 stemmed from the death of the last male heir based there. However, despite the departure well before the rise of the Nazis and the persecution of Germany's Jewish population, the planned return to Continental Europe's leading financial centre has entailed lengthy reflection.

Family members from all three of the Rothschilds' European banks explained that the delay had more to do with business considerations than any fall-out from the Holocaust.

Baron Elie de Rothschild, president of the managing board of Rothschild Bank in Zurich, said that the family had been so busy after the Second World War "trying to stick the bits together again" that it had missed out on Germany's post-war industrial boom.

"It is now unthinkable we should not be in Frankfurt with at least a representative office," he said. "We think that Frankfurt will become one of the leading stock markets of Europe and the world, where we need to be present."

However, the Rothschilds' return to the city of their origins remains very low-key, at least to begin with. The new representative office will have a staff of just three professionals, rising to a maximum of about seven in the next two years, according to Mr Erich Stromeyer, its head.

The Frankfurt office will concentrate on liaison work, bringing German business to the London, Paris and Zurich banks and marketing their own specialities, notably fund management and corporate finance, in Germany.

Further expansion, such as an application for a full banking licence or membership of the Frankfurt Stock Exchange, are not being planned. "We're here to test the market before taking any decisions," said Mr Stromeyer. As far as equities, they wanted "to see how the stock exchange re-organisation works before deciding on a legal status."

Despite the modest beginnings, the decision to return, which was foreshadowed in banner headlines in some popular German newspapers earlier this year, has been treated as quite an event in Frankfurt. Certainly, few other banks could expect such wide coverage, including the main German television channel, for the opening of a three-man rep office. But then, few are called Rothschild, and fewer still are coming home.

Scarcity of new issues reflects Eurobonds' pessimism

By Andrew Freeman

EUROBOND MARKETS failed to shrug off the pessimism of recent weeks yesterday, as patchy new-issue activity betrayed a continuing lack of direction. Investor demand was distinctly limited, according to syndicate officials.

Crédit Commercial de France

INTERNATIONAL BONDS

(CCF) was the lead manager of a FFr1bn 10-year deal for the African Development Bank, the first time the bank has tapped the sector. The bonds were launched with a 9⅝ per cent coupon and were priced at 101⅛.

However, despite the traditional fee structure, CCF brought the deal as a fixed-price re-offering and syndicate members offered bonds to investors at 99⅞, implying an underwriting commission of 25 basis points. The spread over French government bonds was around 70 basis points.

The mandate for the unswapped issue was awarded last week, but CCF held off to allow market conditions to stabilise. The delay also allowed a formal consensus among the syndicate over the pricing and no bonds were offered below the agreed price.

Traders said the bonds were fairly priced and added that there was demand outside France for the paper.

A $250m five-year issue for Caisse Nationale de Crédit Agricole was brought by IBJ International. The bonds carried an 8⅜ per cent coupon and were priced at 101.80 to yield some 68 basis points over the equivalent US Treasury.

The deal had an average reception and traded just inside full underwriting fees of 1⅞ per cent. Dealers said there was interest, but that investors were switching out of old issues rather than injecting new funds. Proceeds were swapped into floating-rate dollars to achieve a sub-Libor funding rate.

Yamaichi International was the lead manager of a $200m seven-year issue for Hokuriku Electric Power, one of Japan's larger generating companies. The bonds offered an annual spread over US Treasuries of 80.8 basis points, in line with spreads of secondary market paper for other utilities judged by dealers as better credits.

Yamaichi was quoting the paper at less 1⅜ bid, a discount equivalent to full underwriting fees. However, other traders described a poor reception and said the paper was outside fees for most of the day. The price away from Yamaichi fell as low as less 2 bid at one stage, before rallying to close around less 1.93 bid. Proceeds are thought to have swapped into yen.

A retail-targeted deal was brought by RBC Dominion Securities for Royal Bank of Canada to a quiet reception. The bonds offered a 10⅛ per cent coupon and were trading on fees at less 1⅛ bid.

Citicorp issued a Pta10bn Matador issue for the International Finance Corporation. The bonds have an 11.6 per cent coupon and are priced at 101⅛ per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Hokuriku Electric Power◆	200	8¾	101⅛	1996	1⅞/⅝	Yamaichi Int.(Europe)
Credit Agricole◆	250	8⅜	101.80	1994	1⅞/⅝	IBJ Int.
Toyobo Co.◆‡(a)	150	3⅞	100	1994	1½/⅜	Daiwa Europe
CANADIAN DOLLARS						
Royal Bank of Canada◆	100	10⅛	101⅛	1994	1⅞/⅝	RBC Dominion Secs.Int.
AUSTRALIAN DOLLARS						
Union Bank of Finland◆	100	9	94	1990	⅝/⅞	Paribas Capital Markets
FRENCH FRANCS						
African Development Bank◆	1bn	9⅝	101⅛	1999	1⅞/⅝	Credit Com. de France
PESETAS						
International Finance Corp.◆	10bn	11.60	101⅛	1994	1⅝	Citicorp Investment Bank
D-MARKS						
Toyobo Co.◆‡(a)	150	1½	100	1994	1½/⅜	Deutsche Bank

◆Final terms. ‡With equity warrants. a)issue update.

Matador market expands

By Andrew Freeman

THE MARKET for Matador bonds, peseta-denominated bonds issued by supranational agencies including the World Bank, is expected to triple in size this year, according to a report by Moody's Investors Service, the US credit rating agency.

In the year to the end of August, Pta195bn ($1.65bn) of Matador bonds were issued, over double the volume in the whole of 1988. All 28 existing issues have strong credit ratings, and the report suggests that high Spanish interest rates combined with a strong currency will continue to attract substantial demand for new bonds.

Mr William Mendenhall, a Moody's analyst, said yields on Matador bonds had fallen recently relative to interbank rates, partly reflecting Spain's present currency stability.

However, he blamed increased competition among underwriters for the tighter terms seen on recent issues, noting that certain market participants consider present pricing unrealistically low.

The report also mentions the possibility that Spanish financial authorities will broaden the market by allowing sovereign borrowers to issue Matador bonds.

Outstanding bonds have been placed with international investors, mainly in Germany, Switzerland and the Benelux countries. Spanish investors have to pay withholding tax on Matador issues and are therefore more interested in domestic government bonds.

Mitsubishi arm given clearing status on CBT

MITSUBISHI FINANCIAL Futures, a Mitsubishi Bank subsidiary, has obtained approval as a clearing member of the Chicago Board of Trade, writes Katharine Campbell. It will be the fourth Japanese clearing operation on the CBT.

Mitsubishi became a member of the exchange last January via the acquisition of a non-clearing firm, Sectrend. It now intends to increase its presence by clearing a larger proportion of the bank's proprietary business as well as executing Japanese business.

An official from the futures brokerage operation said the firm would be active in the Treasury bond futures and futures options contracts as well as in the Treasury notes futures contract.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Monday October 23 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Oct 20 Index No.	Thu Oct 19 Index No.	Wed Oct 18 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	881.87	+0.3	12.55	4.80	9.76	27.02	879.45	879.44	867.12	819.33
2 Building Materials (29)	1038.56	+0.2	14.93	5.33	8.38	35.78	1037.00	1031.57	1007.15	1034.54
3 Contracting, Construction (37)	1402.69	-0.1	17.40	5.49	7.50	51.75	1404.07	1399.56	1368.02	1622.75
4 Electricals (10)	2539.91	+0.7	10.87	4.89	11.57	48.90	2522.08	2553.42	2543.74	2335.01
5 Electronics (30)	1951.62	+0.2	9.43	3.76	13.64	49.22	1947.87	1938.53	1923.48	1756.28
6 Mechanical Engineering (54)	475.87	+0.3	11.76	4.73	10.54	14.38	474.53	476.63	469.42	429.71
8 Metals and Metal Forming (6)	452.81	+0.1	22.70	6.61	4.86	15.15	452.34	453.54	451.38	497.59
9 Motors (16)	355.35	+1.1	11.18	4.88	10.49	9.97	351.54	349.96	347.33	287.12
10 Other Industrial Materials (24)	1643.84	+0.3	10.05	4.56	11.74	51.93	1638.75	1648.05	1624.68	1367.46
21 CONSUMER GROUP (184)	1240.82	+0.6	8.89	3.55	14.15	26.91	1232.55	1240.75	1230.45	1093.15
22 Brewers and Distillers (23)	1415.59	+0.2	9.24	3.48	13.54	28.11	1413.26	1422.47	1418.91	1168.92
25 Food Manufacturing (20)	1195.32	+0.4	9.26	3.87	13.64	25.28	1190.23	1194.13	1193.28	983.03
26 Food Retailing (14)	2340.87	+2.3	8.93	2.99	14.80	43.00	2288.52	2297.62	2288.13	1917.64
27 Health and Household (14)	2385.41	+0.5	6.56	2.01	18.17	39.12	2371.88	2395.00	2386.36	1930.88
29 Leisure (34)	1568.74	+0.3	8.79	3.68	14.69	37.26	1564.58	1588.88	1582.86	1401.29
31 Packaging & Paper (15)	533.55	-	11.22	4.08	11.11	16.17	533.53	533.59	530.18	564.01
32 Publishing & Printing (18)	3483.34	+0.1	9.15	4.89	14.84	105.93	3478.72	3477.89	3442.76	3464.61
34 Stores (32)	775.61	+0.7	11.03	4.73	11.83	18.59	770.57	774.08	753.35	766.13
35 Textiles (14)	514.34	+1.3	11.12	5.72	10.81	15.74	507.52	507.87	507.41	524.38
40 OTHER GROUPS (93)	1129.98	+0.4	10.47	4.57	11.57	27.47	1116.98	1128.19	1106.29	915.42
41 Agencies (17)	1495.39	-0.3	7.85	2.41	17.48	25.06	1500.18	1482.26	1465.18	1091.34
42 Chemicals (22)	1289.31	+0.3	12.41	5.17	9.49	43.69	1285.31	1286.29	1280.77	1077.15
43 Conglomerates (13)	1608.75	+1.2	10.62	5.33	11.86	36.84	1590.43	1603.19	1569.86	1251.51
45 Transport (13)	2147.12	-0.7	10.40	4.36	12.29	56.58	2161.86	2168.33	2131.38	1949.44
47 Telephone Networks (2)	1098.18	+0.7	11.94	4.30	11.01	22.38	1090.86	1098.71	1099.48	975.97
48 Miscellaneous (26)	1837.75	+0.1	9.47	4.47	11.92	44.74	1835.17	1839.28	1791.00	1257.89
49 INDUSTRIAL GROUP (485)	1128.39	+0.5	10.27	4.16	12.01	28.00	1123.30	1127.65	1115.43	987.35
51 Oil & Gas (15)	2166.72	+0.3	10.80	5.23	11.22	87.50	2160.56	2157.38	2153.05	1725.84
59 500 SHARE INDEX (500)	1215.62	+0.4	10.29	4.31	12.16	32.85	1210.42	1214.19	1202.54	1058.28
61 FINANCIAL GROUP (121)	748.93	+0.4	-	5.57	-	28.17	746.31	745.41	734.94	699.52
62 Banks (9)	764.46	-	23.18	6.71	5.67	35.17	764.29	764.65	742.20	698.63
65 Insurance (Life) (8)	1232.85	+0.8	-	5.14	-	47.56	1222.55	1209.33	1187.20	992.62
66 Insurance (Composite) (7)	644.28	+1.0	-	5.87	-	28.54	637.81	635.26	626.72	533.27
67 Insurance (Brokers) (7)	1029.51	+1.5	7.32	6.10	18.18	43.26	1014.18	1012.85	1001.08	964.75
68 Merchant Banks (11)	389.79	-0.6	-	4.33	-	9.78	392.12	391.59	391.58	342.24
69 Property (49)	1165.40	+0.2	7.68	3.49	16.51	21.42	1162.97	1178.03	1143.43	1229.64
70 Other Financial (30)	405.81	-0.1	12.18	5.76	10.70	13.25	396.86	393.67	328.99	372.96
71 Investment Trusts (88)	1179.61	+0.4	-	2.94	-	20.26	1175.39	1171.92	1160.54	936.99
81 Mining Finance (1)	663.37	+0.4	11.26	4.06	9.98	22.25	660.88	664.65	660.80	575.83
91 Overseas Traders (8)	1303.19	+1.6	10.52	6.14	10.90	48.84	1282.21	1283.82	1266.62	1342.84
99 ALL-SHARE INDEX (698)	1102.34	+0.4	-	4.47	-	31.38	1097.64	1100.15	1089.30	962.96

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Year ago
FT-SE 100 SHARE INDEX♦	2189.7	+10.6	2195.9	2179.5	2179.1	2189.3	2170.1	2135.5	2163.4	1848.4

FIXED INTEREST

PRICE INDICES	Mon Oct 23	Day's change %	Fri Oct 20	xd adj. today	xd adj. 1989 to date
British Government					
1 Up to 5 years	116.74	+0.06	116.67	-	10.00
2 5-15 years	130.10	+0.10	129.96	-	11.60
3 Over 15 years	140.25	+0.12	140.09	-	12.00
4 Irredeemables	162.78	+0.36	162.19	-	8.83
5 All stocks	128.37	+0.10	128.24	-	11.24
Index-Linked					
6 Up to 5 years	137.37	+0.03	137.33	-	2.79
7 Over 5 years	135.95	-0.04	136.00	-	3.21
8 All stocks	135.94	-0.04	135.99	-	3.15
9 Debentures & Loans	108.84	+0.07	108.76	-	9.10
10 Preference	87.35	+0.22	87.16	-	5.05

AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 23	Fri Oct 20	Year ago (approx.)
British Government				
1 Low	5 years●	0.00	0.00	9.65
2 Coupons	15 years●	0.00	0.00	9.24
3	25 years●	0.00	0.00	8.94
4 Medium	5 years	11.00	11.01	10.05
5 Coupons	15 years	9.98	9.99	9.47
6	25 years	9.60	9.62	9.17
7 High	5 years	11.11	11.13	10.18
8 Coupons	15 years	10.20	10.21	9.59
9	25 years	9.77	9.79	9.23
10 Irredeemables	†	9.55	9.59	8.88
Index-Linked				
11 Inflation rate 5%	5yrs.	3.99	4.00	2.82
12 Inflation rate 5%	Over 5 yrs.	3.72	3.71	3.64
13 Inflation rate 10%	5 yrs.	3.12	3.12	1.65
14 Inflation rate 10%	Over 5 yrs.	3.54	3.53	3.47
15 Debs &	5 years	13.58	13.59	11.75
16 Loans	15 years	12.20	12.22	11.01
17	25 years	11.68	11.68	10.68
18 Preference	†	10.57	10.60	10.16

♦Opening index 2179.5; 10 am 2188.1; 11 am 2187.7; Noon 2192.0; 1 pm 2194.6; 2 pm 2194.4; 3 pm 2192.4; 3.30 pm 2189.6; 4 pm 2189.3
(a) 1.26pm (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
●Technical problems in calculation of low coupon gilt yields make it impossible to publish results at present. FTA ALL SHARE INDEX: Share capital changes for the constituents can be found daily on Topic page no. 10243. NAME CHANGE: Lowe Howard-Spink & Bell is now Lowe Group (41).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	78	13	12
Corporations, Dominion and Foreign Bonds	9	2	31
Industrials	417	355	824
Financial and Properties	196	122	358
Oils	32	15	48
Plantations	4	1	6
Mines	27	37	107
Others	77	63	111
Totals	840	608	1,497

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Oct 23
● Last Dealings Nov 3
● Last Declarations Jan 25
● For settlement Feb 5

For rate indications see end of London Share Service

Calls in Astra Holdings, Jaguar, SMFC, Leis Inv, NFC, Ossory Est, Premier Consolidated, Polly Peck.

LONDON TRADED OPTIONS

THE TRADED options market had its quietest day in more than five weeks as dealing stagnated before the release of the September UK trade figures this morning. Activity was confined to book-squaring and deals were small scale, with little institutional business noted.

Worries that the trade deficit could be worse than expected unsettled the market. Options dealers said memories of the surprisingly large August deficit, the run on sterling and the resulting rise in base rates were still fresh. They added that while sterling had held steady since the increase in interest rates, worries remained that a further large deficit could force the Bank of England into another rise in rates.

In addition to the trade figures, dealing is likely to receive a further boost today due to the expiry of October stock options on Wednesday. Furthermore, the lack of business transacted yesterday meant that some traders had still not closed their October positions or rolled over contracts.

Activity was concentrated in the FT-SE 100 option index. At 11,096 contracts, it accounted for just less than half of total turnover. Once again, trading was evenly divided between calls and puts, with turnover of 5,483 and 5,613 respectively. Dealers said no large orders were executed and business was largely between market-makers.

The low turnover and lack of price movement on the stock market also left options traders reluctant to take new positions. The day's trading pattern was established early on, with the FT-SE holding above 2,185. It then moved in a narrow range during the rest of the session, eventually closing up 10.6 at 2,189.7, having turned over just 276m shares.

Traders also gleaned little from movements in the futures market, which trod water before the trade figures. The December FT-SE futures contract continued to trade at a premium of around 13 points to the cash market.

Total turnover yesterday amounted to 23,944 contracts — 13,967 calls and 9,977 puts.

[illegible]

SeaCon unveils asset sale plan to ward off bidder

By Andrew Hill

MR JAMES SHERWOOD, president of Sea Containers, is to sell assets from all divisions of the group, which owns Sealink British Ferries, as part of his attempt to fight off a hostile $1.02bn bid.

Details of the far-reaching plan – which will also involve the distribution of a cash dividend to shareholders – will be announced next Tuesday following a full Sea Containers board meeting on Monday.

"Every division is going to lose some of its assets," Mr Sherwood said yesterday.

But it could be some time before Sea Containers' shareholders get a chance to vote on the alternatives to the hostile cash offer, which was launched in the US more than five months ago by Stena, the private Swedish ferry operator, and Tiphook, a UK container rental group.

"I don't think the [shareholder] meeting will take place until most of the programme of asset disposals is completed. It will be a number of weeks," Mr Sherwood said.

The disposals will probably include the sale of Sealink's Isle of Wight ferry routes and Sea Containers' 200,000 standard dry cargo containers. The special containers – including the valuable refrigerated fleet – will be retained.

Mr Sherwood is hoping to set a date for Sea Containers' long-awaited annual shareholder meeting when he reveals the recapitalisation plans.

Stena and Tiphook said a month ago that they would solicit proxies seeking to elect new directors to Sea Containers' board at the meeting and Mr Sherwood now believes the main struggle for Sea Containers will take place outside the courts, where the bid has been bogged down for some months.

A ruling on the long-running legal challenge to Sea Containers' defensive actions is also expected soon.

The chief justice of Bermuda, where Sea Containers is registered, plans to hand down a decision on the legality of the ferry group's action on November 27.

"We are moving to the stage now where the fencing in the courts is going to come to the end and there's going to be an economic battle," Mr Sherwood said yesterday.

Sea Containers' common shares are trading in New York at about $8 less than the $63 per share bid, as arbitrageurs, thought to hold about 15 per cent of the company, await the restructuring plans.

Mr Sherwood has already indicated that his alternative will realise between $70 and $100 per share for stockholders – the value of a cash dividend and an ongoing stake in the company.

Ransomes rights issue flops

By Andrew Hill

A RIGHTS issue by Ransomes, the 200-year old manufacturer of grass-cutting machinery, has become the fourth cash call to fall victim to market uncertainty over the past week.

Nearly 88 per cent of its issue of convertible preference shares will be taken up by the sub-underwriters, the company announced yesterday.

The issue was launched on August 30 with the aim of raising £53m, partly to fund two acquisitions including the $150m purchase of Cushman Group, a North American grass machinery company.

But when the issue closed last Wednesday, only 12.25 per cent of the 56.6m new convertible preference shares had been taken up by shareholders.

Ransomes' shares slipped 1p to 161p yesterday, compared with 207p when the group announced the acquisitions in August.

It has been a bad few days for rights issues. Yesterday, British Airways revealed that only 6.4 per cent of its £320m convertible bond issue had been taken up – hit by the rise in interest rates as well as the market conditions. Last Thursday, both Wace Group, a prepress services company, and Acsis Group, a marketing business, announced that issues had been under-subscribed.

By contrast, Polly Peck announced last week that about 97 per cent of its £283m rights issue had been taken up.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied London ....fin	2.225	-	1.85	3.3	2.75
BMSS § ....int	1.875	Nov 30	1.75	-	4
Brit & Amer Film......int	2.65	Nov 14	2.375	-	7.425
Centreway Trust ......int	1	Dec 11	-	-	1.5
Hammerson Prop ....int	3.5☆	Dec 7	3	-	17
Lowland Inv ....fin	4.5	-	3.7	6.5	5.3
Lucas Inds ....fin	18☆	-	15	25	21
McKechnie ....fin	9.75	-	9.45	14.75	13.25
Prestwick ....fin	1	-	1	1.5	1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Carries scrip option.

Sheraton revises terms for Malvern

By Nikki Tait

RECENT SHARE price falls in the property sector have led to a change in the share exchange terms which Sheraton Securities, the property development and investment group, is offering in its all-paper bid for the unquoted Malvern Property Company.

This is one of the first deals to see an alteration in terms since the recent stock market gyrations began. The property sector was also adversely affected shortly before these events, when a bearish broker's circular was followed by a warning on bank lending to property companies by the Governor of the Bank of England.

Since the Sheraton-Malvern deal was announced in late-September, the property sector generally has fallen by almost 14 per cent, and Sheraton's share price around 24 per cent.

Sheraton had previously been offering 1,300 shares for each Malvern A share, and 2.27 shares for each of the more plentiful Malvern ordinary shares.

Under the new terms the offer for the A shares is unchanged, but Sheraton will now give five shares for each Malvern ordinary. On full acceptance about 9.7m Sheraton shares will now be issued, compared with 8.92m previously. The 9.7m will represent around 7.1 per cent of the enlarged capital.

Yesterday, Sheraton said it had made the change because it believed that the logic of the deal still stood. The revised offer has irrevocable undertakings to accept from Malvern shareholders speaking for 40.34 per cent of the capital – as did the initial deal. Sheraton already owns 29.99 per cent of Malvern.

With Sheraton shares down another 4p to 65p yesterday, the revised terms value Malvern at £8.7m, compared with around £11m when the deal was first announced. However, Malvern said yesterday that it was looking at the percentage of the enlarged group assets which its shareholders would control, rather than the precise worth of the Sheraton shares involved in the bid.

Barratt chairman paid £290,000

Mr John Swanson, chairman and chief executive of Barratt Developments, was paid £290,129 in the year to June 30, according to the housebuilding group's annual report.

He took over as chairman in January from Sir Lawrie Barratt, who was paid £206,440 in 1987-88.

In the most recent year, six UK directors of Barratt were paid £215,000 or more; in 1987-88, only Sir Lawrie received more than £180,000.

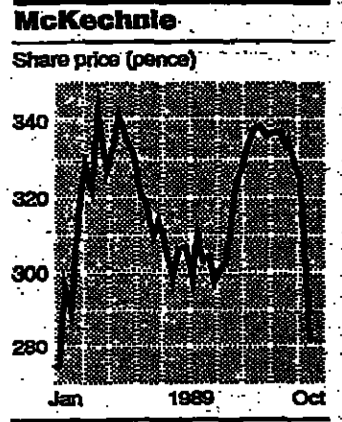
Overseas expansion offsets slowdown in the UK

McKechnie improves 15% to £39.2m

By Jane Fuller

MCKECHNIE, the plastics and metal components group, increased pre-tax profits by 15 per cent to £39.15m for the year to July 31, compared with £34.04m in the previous year.

In a year which saw four overseas acquisitions, notably McCourtney Plastics in the US, turnover rose by 18 per cent from £305.5m to £360.9m. The US businesses contributed 9 per cent of profits, compared with 2.5 per cent last time.



Overseas growth more than offset the slowdown in parts of the UK business from May, when high interest rates began to bite into consumer demand.

The division most affected was consumer products, where three business were sold. Sales fell from £75.05m to £71.47m and pre-interest profits were down to £11.62m (£13.02m).

Mr Michael Ost, chief executive, said that contingency plans to reduce costs had also been implemented in this division. For example, at Harrison Drapes, the workforce had been cut from 620 to 485.

Because of continued worries about a hard landing for the UK economy, all the businesses – not just consumer products – had drawn up contingency plans to cope with downturns of 5, 10 and 15 per cent. Mr Jim Butler, chairman, estimated that if the overall fall was 10 per cent, between 500 and 600 might be cut from the 6,000-strong UK workforce.

However, it was stressed that McKechnie sold its parts to a variety of sectors, from automotives and home improvements to business equipment and plastic packaging, several of which were showing no signs of cutting orders.

In the past two years, plastics have grown from being the fourth biggest contributor to turnover and the third to profit to being the most profitable division with a turnover second to metals. This time it made £14.08m on sales of £100.99m, compared with £11.42m and £123.07m for metals.

Mr Ost said the growth in plastics was mostly the result of the US acquisitions. Metals had benefited from first half reorganisation.

The specialist products division, which saw one company sold off, increased turnover to £65.35m and profits to £8.68m.

The company emphasised that it was reducing UK dependence. Mr Butler said the split between UK and overseas turnover had moved from 70:30 to 60:40 during the year. The balance was better than it appeared because some sales made in UK – such as car parts to Ford – were subsequently exported.

Apart from the US expansion, sales had shown strong growth both in continental Europe, where McKechnie bought a Dutch automotive plastics company, and in Australia thanks to a building boom. Gearing, which reached 50 per cent at the half-year, was back down to 35 per cent.

Paul Murphy

Michael Ost, chief executive (left) with Stuart Moberley, finance director (centre) and Dr Jim Butler, chairman

Fully diluted earnings per share grew to 33.1p (29.3p). The recommended final dividend of 9.75p makes a total of 14.75p (13.25p). The shares were unchanged at 282p.

● COMMENT

Predictions of McKechnie's prospects for the current year vary according to the forecaster's degree of pessimism about the UK economy. The company is saying there is a danger that sectors other than housing and consumer products will be hit by destocking. Its rigorous battle plans for tackling falls in demand are admirable. Should these have to be implemented, it will have to be done with alacrity because of the short-term nature of their orders. In the company's favour, it has reorganised well, it is prepared for the worst and no one is questioning the quality of the overseas cushion. Profit forecasts range from £36m to £42m, giving a prospective multiple of 9.5 from the pessimists and 8 from the optimists.

Another move to oust Dickie board

By Ray Bashford

DISSIDENT shareholders at James Dickie are mounting another challenge to the authority of the directors of the drop forgings and grey iron castings manufacturer.

Specialist Holdings, which owns 14.9 per cent of Dickie's capital, has requisitioned an EGM in an attempt to seize control of the board.

The London-based consortium led by Mr Keith Daley failed at the Dickie's annual meeting last April to unseat the board.

Specialist held 7 per cent of the capital when the first challenge was launched. In addition to the 14.9 per cent now directly owned, the company is part of a concert party which allows it to speak for 19.66 per cent.

Mr Daley attacked Dickie's profits record while announcing that the EGM had been requisitioned.

"The board of Dickie has failed to return the existing operations of Dickie to satisfactory levels of profitability nor has it put forward proposals for acquisitions as was heralded in the last two chairman's reports," Mr Daley said.

Rock dissidents defeated in poll

By John Ridding

Rock, the component distribution group, announced yesterday that a series of resolutions which could have given control of the company to a group of dissident shareholders were defeated in a poll called at last week's extraordinary general meeting.

The company had already said that four of the resolutions, calling for the appointment of new directors, were invalid under the company's articles of association.

A fifth resolution, which called for the removal from the board of Mr Robert Justice, a non-executive director, and which would have given the four nominees a numerical majority over Mr Oswald Dockery, chairman, and his colleagues on the board, was the only binding vote.

Mr Joseph Stephens, a director of WH Ireland Stephens & Co, a Manchester-based stockbroker, and leader of the dissidents, said after Friday's meeting that he would continue his fight to gain representation on the board.

IN BRIEF

AMERICAN INTERNATIONAL has purchased a 20 per cent stake in Trade Network International and a 35 per cent interest in the company's US subsidiary, Export Network. AI has also received an option to purchase a 20 per cent stake of Export Network (Asia) Private, a Singapore-based Far Eastern corporation to be formed by TNI.

BID CLEARANCES: Proposed acquisitions of Trebor by Cadbury Schweppes and of Charterhall Properties by Seafield will not be referred to the Monopolies and Mergers Commission.

BURNS-ANDERSON has sold its remaining holding of 700,000 A ordinary shares in Dartington Co Group, a Bristol-based banking and financial services company. This follows a sale of 237,500 A shares on October 4. Total of shares sold for an aggregate cash consideration of £1.2m. Following the sale, Mr David Johnston, an executive director of Dartington, has resigned as non-executive director of Burns-Anderson.

EMAP has acquired four car titles from AGB Specialist Publications for £3.05m.

RIVA GROUP declared its bid for Hugin Sweda unconditional as to acceptances and extended the offer until November 3. Riva owns or has received acceptances or irrevocable undertakings to accept in respect of 87.75 per cent of Hugin's shares. The proposed acquisition has been cleared to proceed without a reference to the Monopolies and Mergers Commission.

SHARE STAKES

The following changes in company share stakes have been announced recently:

Berkeley Group: Saad Investments, acting in concert with two affiliated and related companies, holds 2.3m ordinary (5.5 per cent).

Charterhall: Westmex group acquired 1.4m shares increasing holding to 306.23m (59.15 per cent).

Child Health Research: London and Manchester Group reduced holding to 6.99 per cent of the ordinary.

Electronic Machine: Gamlestaden Investments acquired 8,000 ordinary and increased holding to 130,472 (3.5 per cent).

Radius: Mr M Roberts has transferred a trust holding of 129,000 shares to his son, reducing holding to 5.1m shares (18.75 per cent).

Rockwood Holdings: Cert has an interest in 1.36m ordinary (5.1 per cent).

United Biscuits: Robert Clarke, chief executive, bought 5,000 ordinary at 345p each.

Flogas launches rights issue to fund acquisitions

By Kieran Cooke in Dublin.

Flogas, the Dublin-based liquefied petroleum gas supplier, is buying Ergas and Ergas (NI), two companies within the Royal Dutch/Shell Group, for I£12.7m (£11.5m).

Ergas, also a supplier of LPG, operates in both the Irish Republic and Northern Ireland. The purchase will be funded by a I£10.06m rights issue.

The cash call, underwritten by the Development Capital Corporation, involves the issue of two new Flogas shares at 240p for every nine held. The Ergas price tag includes a commitment to repay Ergas inter company borrowings within the Shell group of over I£5m.

Ergas achieved profits of I£1.2m on turnover of I£12.3m in 1988. Flogas made pre tax profits of I£4.17m on turnover of I£23.45m in the year to end-April 1989.

UK COMPANY NEWS

Mr Tony Gill (right), chairman of *Lucas Industries*, was in buoyant form yesterday as he boasted of his company's *£450m net contribution to* Britain's balance of payments in the year to end-July.

A decade ago, Lucas was a Birmingham-based manufacturer of batteries, lamps, and everything electrical for the British motor car.

When the British car industry went into decline, Lucas plunged into loss.

The company responded by pulling out of commodity automotive products and concentrating on high-technology engine management and braking systems for the international market.

It also embarked on a programme of diversification into aerospace components and industrial equipment, mainly overseas.

As Mr Gill pointed out, last year's performance was a milestone of sorts.

It marked the point where sales by overseas companies passed those of the UK operations, and Lucas's consequent transformation into a truly international company.

"The sixth successive year of strong growth in profits and sales demonstrates the soundness *of the Lucas three-sector* strategy — aerospace, automotive and industrial markets," he said.

"New products, more customers, improved customer satisfaction, higher market shares, enhanced quality, better productivity and increased profits — all these encourage us to face future opportunities and challenges with confidence."

Trevor Humphries

Hammerson unveils 51% advance to £38.2m

By Paul Cheeseright, Property Correspondent

THE HAMMERSON Property Investment and Development Corporation, the international property group, yesterday emerged from the shadow cast by the takeover bid from Rodamco and declared a 51 per cent increase in half yearly pre-tax profits and a clutch of new developments.

Profits for the six months to end-June were £38.2m compared with £25.37m in the same period of 1988. Earnings per share were 15.27p against 10.52p.

Hammerson is the most internationally-minded of the major British property investment groups and has over half of its property portfolio overseas.

This was part of its attraction to Rodamco, the Dutch investment group, which last year made a £1.3bn bid and allowed it to lapse in January.

The new developments announced by Hammerson are all abroad:

● It has established a joint venture with Bramalea, the largest quoted Canadian property company in which Trizec Corporation and the Bronfman brothers have a stake. This venture involves Hammerson leasing in tranches 14 acres of land it owns near its shopping centre at Mississauga, near Toronto, to Bramalea. The Canadian company will build 2,000 condominium apartments but Hammerson will have a share in the sales price and the overall profits of the venture.

● Also at Mississauga, Hammerson will start development of a new 300,000 sq ft office building costing £40m. Its current office development at Mississauga is now 90 per cent let.

● In Essen, West Germany, where the group already has retail interests, £60m is being spent to buy a central shopping centre from a private investment trust and refurbish it.

● Planning permission has been received for a £50m shopping development at Saarbrucken.

At home, the strength of the property market has come through in a first half rise in net rental income of 19 per cent to £51.41m.

But earnings were also boosted by trading profits of £9.75m as further proceeds from the sale of River Plate House in the City of London came through.

The interim dividend is 3.5p, up from 3p last time.

● Hammerson UK Properties, a wholly-owned subsidiary of Hammerson, has today purchased for cancellation £100,000 9.75 per cent First Mortgage Debenture Stock.

The stock is redeemable at par at the company's option as from March 31 1997 and it is the company's normal policy to purchase stock for cancellation as it becomes available.

● COMMENT

Hammerson, like other property investment groups, has been out of favour on the market. With a large chunk of its equity tied up by Standard Life, it does not look an easy takeover target. With the market now suspicious of the sector generally, the Hammerson share price does not look as if it is going anywhere. But the company's defensive strength is its overseas interests: currency movements have so far put 60p on to the net asset value. This year the nav should move up from 1008p and comfortably exceed 1150p, putting the shares on a prospective discount of nearly 34 per cent — broadly speaking, par for the course in the sector at the moment.

£5m expansion for Midsummer

By Andrew Bolger

MIDSUMMER LEISURE, the fast-growing pub, discotheque and snooker club group, has purchased six properties in the south of England from Leading Leisure for £5.2m cash.

The package includes two Martines discotheques, one in Portsmouth and the other in Eastleigh. The other units are the Town Mill pub and restaurant in Andover, Hampshire; Ellie J's bar in Portsmouth; the Gatehouse Royal Pier, a large bar in Southampton; and Booker T's, a bar in Newport, Isle of Wight.

Mr Adam Page, Midsummer chairman, said the units were situated in prime freehold and long leasehold sites, and complemented the group's portfolio in the rest of the country.

The current weakness in the UK economy would continue to provide attractive opportunities for more cash acquisitions, he said.

Midsummer intends to dispose of non-core businesses for cash to reduce gearing and allow the expansion of its leisure retailing. It is in the process of selling Chequers, its Derbyshire-based store-fitting business.

Dutch paper group buys Copygraphic

By Laura Raun in Amsterdam

Buehrmann-Tetterode, the Dutch paper and graphic equipment group, has acquired Copygraphic of the UK, an office supply dealer, as part of its strategic expansion plans.

Copygraphic has annual sales of £25m, employs 340 people and is based in London and Reading. Buehrmann-Tetterode is buying the company for an undisclosed price from Mr Peter Tilley, its founder and chairman, and several associates. The current management will continue to run the company.

The acquisition is part of Buehrmann-Tetterode's efforts to build an international position in the office supply market. Further expansion in the Benelux, West Germany and the US is planned.

In The Netherlands Buehrmann-Tetterode is locked in a battle with Ahrend, a leading office furniture maker, in which it owns 51.5 per cent. Ahrend bitterly opposes a takeover by the much bigger Buehrmann-Tetterode.

FCF lifts Asda stake

First City Financial, the Vancouver-based investment company, has again raised its stake in Asda, the UK food retailer. According to a notice from First City's solicitors, Hornby — one of the two Barbados companies through which its shares in Asda are owned — it has acquired a further 500,000 shares. This takes the holding of Hornby and Fril, the other nominee company, to 58.85m shares or just over five per cent of the equity.

Spice aims to eliminate debt through disposals

By Jane Fuller

SPICE, the troubled motor parts distributor, is hoping to raise £2.5m from the sale of three wholesale cash-and-carry centres in Birmingham, Bradford and Leicester.

The announcement of the disposal of these premises, each with more than £600,000 of stock, comes hot on the heels of the sale of Spice's national distribution centre at Dunstable for £625,000, and after a £2m rights issue two months ago. The Dunstable centre was opened in October last year, but closed in April.

Mr Richard Fleming, Spice's managing director, said the three further sales would eliminate borrowings. The overdraft had stood at £7m when he joined the company in March. The disposals would continue the reduction of the workforce from 400 to 180.

The company will be left with branches at Staines, Canning Town and Watford, each of which was profitable and turning over about £5m a year.

Mr Fleming explained the change of strategy away from cash and carry, which had become uncertain and riddled with discounting, and towards agreements with certain retailers. "We are going for tied distribution."

In return Spice would help the retailer gain outlets as well as fuelling it with stock. Sometimes a stake would be taken in the retail company — as with the 50 per cent taken up in the CAR chain in London.

The company, which lost £4.6m in the six months to March 31, is altering its year-end to December 31.

Ross Catherall agrees bid terms

By Ray Bashford

Ross Catherall, the special steels, alloys and investment castings manufacturer, is poised the announce that it has agreed to the terms of a takeover offer.

The company yesterday morning reported that it had received a takeover approach following an 11p rise to 161p in the share price on Friday.

After the announcement of the proposal the shares rose further to close up 46p at 207p.

This price capitalises Ross Catherall at £78m, compared with the £47.2m value put on the company through the 125p per share placing in March last year which brought it to the main market.

BOARD MEETINGS

TODAY

Interims- Boxmore Intl, Chepstow Racecourse, Densitron Intl, FR Group, Ingham (George), Kleeneld, Polymark Intl, Shell Oil, Value & Income, Vivat.

Finals- Cooper (Frederick), Ensign Trust, Pressac, St Ives, Scottish & Metropolitan Property, Wolseley.

FUTURE DATES

Interims-	
Aquascutum	Nov. 10
Bertam	Oct. 27
Cambridge Instrument	Oct. 30
Globe Inv Trust	Oct. 25
Powerscreen International	Nov. 1
Ralston International	Oct. 31
Rowe Evans	Oct. 30
Stormgard	Oct. 31
Warner Howard	Nov. 8
Finals-	
Barbican	Oct. 25
Keystone Inv	Oct. 31
Maxiprint	Oct. 27
Video Tape Recording	Oct. 30

UK COMPANY NEWS

Worries over weakening order book from telecommunications
Prestwick tops £2m with 50% rise

By James Buxton, Scottish Correspondent

PRESTWICK HOLDINGS, the printed circuit board manufacturer, increased pre-tax profits by 50 per cent to £2.12m in the year to July 31 1989 but warned of a weakening in its order book in the current year and said prospects could be affected by the possibility of recession.

It said that a break in orders for the past two months from British Telecom to GPT, the General Electric Company and Plessey telecommunications joint venture, was affecting orders by GPT to Prestwick for printed circuit boards.

Prestwick also said that demand from the automotive industry normally softens at this time of year but should recover.

The company said that in July it made a marketing agreement with Circuit-Wise, a leading US maker of printed circuit boards. Under the agreement Prestwick will not sell its printed circuit boards for the automotive industry in the US except by agreement with the US company and Circuit-Wise will keep out of the European market on similar terms.

Both companies will be available to back up supplies to each other's customers in both market areas, thus giving major motor manufacturers security of supply.

Mr Bill Miller, Prestwick deputy chairman, said that the European automotive sector would be a major source of growth in the next few years and the agreement with Circuit-Wise offered motor manufacturers "a very attractive scenario." Mr Rollin Mettler, who owns Circuit-Wise, has joined Prestwick's board as a non-executive director.

Prestwick said although orders from the telecommunications and automotive sectors had weakened, the computer, fax and photocopier sector was steady. It added: "The possibility of recession arising from the current economic climate may also affect our prospects in the coming months but the company intends to respond positively to those changing market conditions to ensure that the progress made over the past two years is consolidated."

Turnover rose 11 per cent to £24.89m (£24.2m). Tax took £579,600, including deferred tax of £402,000, compared with a nil charge last time. This lowered undiluted earnings per share from 7p to 6.6p. A proposed final dividend of 1p makes a total for the year of 1.5p (1p).

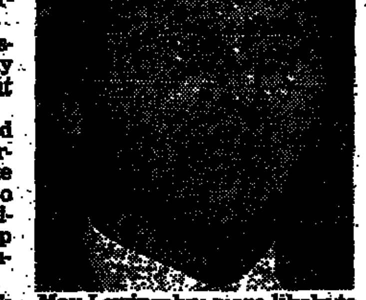
Lewinsohn sells his remaining stake in Conrad Continental

By Clay Harris

MR MAX LEWINSOHN, former chief executive of Dominion International, has sold his 10.87 per cent stake in Conrad Continental, a supplier of fashion accessories and leather garments.

The buyer is Magnum Industries, a Geneva-based company which now owns 15.26 per cent of Conrad.

The disposal at 50p raised £717,000 for Maximillian Enterprises, Mr Lewinsohn's private company, which will also receive £14,340 in interim dividends. Conrad shares closed 1p higher at 59p, valuing the company at £7.8m.



Max Lewinsohn: more likely to focus on other things

Mr Lewinsohn said yesterday he was "more likely to focus my attentions on other things in future." He had not yet decided, however, whether to resign as Conrad's deputy chairman.

Conrad has changed its name twice since Maximillian Enterprises bought a controlling stake in April 1984. Then called Arthur Henriques, it became Top Value Industries in 1985 and then took on its present identity in June this year. Part of Maximillian's stake was placed out in 1984, and there have been modest disposals subsequently.

In the six months to June 30, Conrad saw pre-tax profits fall by 41 per cent to £303,000 on turnover ahead by 23 per cent to £5.85m.

Lord Barnett, the former Labour minister, is non-executive chairman of both Conrad and Dominion.

Mr Lewinsohn resigned in August as Dominion's deputy chairman; shortly before a stormy annual meeting at which the financial services and property group's shareholders criticised the board.

Dominion's shares were suspended on September 21, and payment of the final dividend was subsequently halted because the company had no distributable reserves.

Data-Design's £8.5m Ulster development

By our Belfast Correspondent

DATA-DESIGN Laboratories, the US electronics company, is creating 150 new jobs over the next three years in a £8.5m development in Ulster, backed by the Industrial Development Board for Northern Ireland.

DDL already owns Irlandus Circuits, which makes printed circuit boards at its plant in Craigavon, Co Armagh.

The new factory, to be called DDL Electronics Ltd, will use highly automated equipment to insert components, such as computer chips, on printed circuit boards, to specifications laid down by manufacturers of electronic equipment.

The new operation will be set up in a 60,000 sq ft building in part of the former Goodyear tyre plant near the Irlandus complex.

A unique "twinning" arrangement between the two plants will be used as a model by DDL to set up similar operations in other countries worldwide.

Mr Richard Needham, the province's economy minister, said DDL was putting in its new PCB assembly operation because of its satisfaction with the quality of both the management and the workers at Irlandus.

Mr Needham said: "The new plant will be run by the existing Irlandus management, all of them Northern Ireland people, who will be working to the same world class manufacturing standards as DDL's highly successful US operations."

Mr Tom Beiseker, DDL chairman, said: "We at DDL firmly believe that closely integrated PCB manufacture and electronic assembly operations is the way forward for PCB companies. But it can only work with high-quality management.

"The fact that we are siting this twinning operation in Northern Ireland shows how highly we regard our existing Irlandus operation, and the availability of production-line workers, managers and electronics graduates here."

DDL is based in California, and has seven subsidiaries worldwide, employing over 1,300 people. In addition to PCBs and board assembly — which account for 70 per cent of its annual $108m turnover — DDL also manufactures other types of electronic equipment.

Marling extends European network with Italian buy

By Andrew Hill

MARLING INDUSTRIES, the manufacturer of industrial textiles and safety products, has taken another step towards securing its European distribution network through the purchase of a 25 per cent stake in Tecno Belt Siten, an Italian manufacturer and distributor of webbing-based products.

The holding cost the UK group just L25m (£11,500) and the issue of 100,000 shares to the vendors.

Mr Peter Held, Marling's chairman and chief executive, said yesterday: "It's really to ensure that those people with whom we have good but loose arrangements now come under the Marling umbrella so that the distribution power is never lost to the company."

Marling, which already has an extensive distribution network in Spain, has also bought a 25 per cent strategic stake in a French distributor and is poised to announce agreements with West German and Norwegian companies.

Tecno is based in Chieri, near Turin, making and distributing a wide range of webbing based products, including lifting slings, cargo control lashings and vehicle emergency kits.

NEWS DIGEST

BMSS up 24% to £729,000

BMSS, the USM-quoted timber and building materials merchant, saw pre-tax profits rise 24 per cent on sales ahead 13 per cent in the half year ended July 31 1989.

The directors said current sales were reflecting the decline in activity in the housing market, but profit margins and market share were being maintained.

Profits amounted to £729,000 (£586,000) and turnover £6.57m (£5.82m).

A small contribution from Wheat and Kirby, acquired in April, was included and a "more realistic" profit would accrue in the second half.

The search for suitable additional outlets and complementary activities continued.

Earnings per share were 6.97p (5.69p) and the interim dividend is raised to 1.875p (1.75p).

Interest charge holds Centreway back

Higher interest held back pre-tax profit growth to 11 per cent at Centreway Trust in the first half of 1989.

Interest charges at this business expansion scheme manager, boat builder and shoe maker rose from £76,000 to £235,000, and meant pre-tax profit was held to £395,000 (£355,000).

This was after operating profit advanced 46 per cent to £630,000 on turnover 24 per cent ahead at £11.84m.

The directors said current trading prospects indicated a satisfactory trading result over the year.

Earnings worked through at 3.2p (0.2p) and there is an interim dividend of 1p. Extraordinary profits totalled £285,000 (debit £110,000).

Assets advance at B & A Film

British & American Film Holdings, the investment holding company and film library owner headed by Sir John Woolf, yesterday reported that its effective net asset value had increased to 728.7p as at June 30.

The figure, which excluded film rights, compared with 569.2p a year earlier and 580.7p at the end of 1988.

Pre-tax profits for the six months to end-June amounted to £388,652 (£368,213), resulting in earnings of 10.5p (9.58p). The interim dividend is raised to 2.85p (2.575p).

An extraordinary gain of £264,246 resulted from profits on the sale of investments.

North Sea Assets slips into the red

Following the decision to change its year end to December 31 to coincide with the trading year of its British Underwater Engineering subsidiary, North Sea Assets has issued a third quarter report to June 30.

This showed that net assets per 5p share were 18.6p compared with 15.4p three months earlier.

Revenues at June 30 totalled £468,000 (£316,000 at March 31). But after interest of £122,000 (£82,000) and administrative expenses of £474,000 (£333,000) there was a net loss of £128,000 (£99,000) or 0.31p (0.24p) per share.

Sir Jeffrey Petersen, chairman, said that the trading performance of British Underwater Engineering in the third quarter had corrected the previous distortion occasioned by BUE's cyclical trading pattern.

Chemex shares resume trading

Trading in Chemex International, the environmental analysis and consulting services group, yesterday resumed on the Third Market.

The shares were suspended in March when TC Coombs ceased to be sponsoring broker. Cambridge Capital has since been appointed as financial adviser and sponsoring broker with the specific task of reviewing the company's business affairs.

Chemex also announced interim results for the six months to March 31. These showed a pre-tax loss of £304,000 on turnover of £145,000.

According to the company, the figures were not comparable with the corresponding period of 1988 since Chemex International Inc was not created until August 1988.

The directors anticipated, however, that losses at the operating level for the full year would be similar to the £149,000 reported last year.

The shares were quoted at 46p yesterday compared with the suspension price of 48p.

Pict Petroleum incurs £0.4m loss

The closure of the Claymore field following the Piper Alpha disaster seriously affected Pict Petroleum's results for the year to June 30.

For the period the USM-quoted company ran up a loss of £399,000 pre-tax compared with a profit of £38,000 previously. Turnover was just £133,000 against £1.43m.

Net loss per 5p share emerged at 1.45p compared with earnings of 0.16p.

The directors said that the successful rights issue, which raised some £9m in April, enabled the company to replace cash resources used in the discovery and appraisal of the Scott (formerly Waverley) and West Firsby fields, to conclude the purchase of North Sea interests from Amerada Hess, to continue with the exploration and appraisal of existing interests and to be in a strong position to pursue other opportunities as they arose.

UK COMPANY NEWS

Both divisions now profitable and further acquisitions sought

Spong buys decorating supplier

By Andrew Bolger

SPONG HOLDINGS, the houseware and retail display systems group which is being extensively reshaped, plans to buy Hamilton Group, a privately owned maker of paint brushes and decorators' tools.

Initial consideration is £5.3m, with further payment of up to £1.5m, subject to Hamilton's results in 1989 and 1990.

Hamilton, which mainly supplies professional decorators, is based in Harrow, Middlesex, with additional manufacturing facilities at Dronfield, Derbyshire. Last year it made pre-tax profits of £882,000 on turnover of £6.4m. Net assets were valued at £3.2m.

Spong was restructured in May when a consortium led by Hillsdown Investment Trust, the investment subsidiary of food group Hillsdown Holdings, invested £4m to take a 46 per cent stake in the company.

Mr Paul Lever came from being managing director of Crown Berger Europe, paints division of Williams Holdings, to take over as executive chairman from Mr Stephen Barclay, who has since left.

Spong last year lost £3.6m after extraordinary charges. Since taking over, Mr Lever has arranged disposals which will raise £4m. The businesses sold include Beau Brummel, the specialist schoolwear manufacturer, and Spong Print, an Essex-based colour printer.

Mr Lever said the Hamilton acquisition fitted in with his strategy of disposing of Spong's non-core businesses and focusing on two trading divisions, home consumer products and retail display systems.

Hamilton is a niche supplier of quality equipment to the decorating trade, which accounted for about 95 per cent of its turnover. Spong would be examining the opportunities for extending the brand name into the retail DIY market.

Spong last year ran into difficulties when it transferred the manufacturing of its plastic houseware products to South Wales. It also had problems integrating the Norank and CJ Systems, the two companies which comprise its retail systems division.

Mr Lever said that both of these divisions were now trading profitably and Spong was now poised to enter into a new period of growth, principally by acquisition. In the longer term, he intended to establish a third trading division, in the retail or industrial sector.

As well as the Hamilton acquisition, Spong shareholders will next month be asked to approve consolidation of the 5p shares into 20p shares.

Paul Lever: a third trading division in longer term

The initial consideration for Hamilton will comprise £500,000 cash and the issue of 9.05m of new 20p ordinary shares. Of those, 4.05m are being placed on behalf of certain of the vendors at 53p each. Yesterday, Spong's 5p shares closed unchanged at 14p.

Hamilton, as currently constituted, is the result of a management buy-out of Hamilton Star and its subsidiaries from Blundell Permoglaze Holdings in 1986. Its current management team, led by Mr David Gordon, will continue to run the company.

Knobs & Knockers shares take off as MIM raises interest

By Andrew Hill

SHARES IN Knobs & Knockers climbed 25 per cent yesterday after the USM-quoted specialist retail and property group announced that MIM, the investment company, had increased its holding.

Former chairman Mr Michael Warshaw, sold 607,863 shares in the group – which was the subject of a reverse takeover in July – at 80p each. The USM company's shares yesterday rose 17p to 90p.

MIM has bought 400,000 shares, taking its holding to more than 3.4 per cent of the entire company. The balance has been placed with the seven existing board directors of Knobs & Knockers.

Mr Warshaw has said he will retain his remaining 900,000 shares – about 3 per cent – for at least a year.

Knobs & Knockers's shares were worth 116p at the time of its reverse takeover by Prior Securities, the retail property specialist.

It paid £21.41m for Prior, issuing shares worth 120p each. But since then Knobs & Knockers' shares have fallen as low as 66p.

Knobs & Knockers, which now describes itself as a "property, retail and architectural ironmongery group", said MIM's purchase of the shares reflected investor confidence in the group's future.

EFM Dragon expands through £23m placing

By Nikki Tait

EFM DRAGON Trust, the small specialist investment trust managed by Edinburgh Fund Managers, is raising around £23.1m via a placing of 192m new ordinary shares with warrants attached.

Existing shareholders will also be able to participate in the issue via an open offer. They can apply for up to 72m new shares, again with a similar one-for-five warrant sweetener.

Terms of the open offer are five new shares, with one warrant attached, either for every 10 existing ordinary shares held, or for every 10 existing warrants held.

The new shares are being placed at 12.5p per share, and shareholders can claw back under the open offer at the same price. The issue will more than double the size of the trust, which currently has a market capitalisation of a little below £16m.

EFM was floated in September 1987. The directors now believe the time is right to increase the capital base, partly because of the opportunities for investment in Far Eastern stock markets.

Under the terms of the placing and open offer, the new funds will be raised at a small premium to the existing undiluted net asset value of the trust.

Expansion of the Dragon fund follows recent successful launches of a number of new investment trusts specialising in the Far Eastern markets – in particular in some of the smaller countries in the region.

New warrants are exercisable in any of the years 1991 to 2005 inclusive, at 15p. There is no fixed life set on the trust, but when it was first launched EFM made clear that shareholders would be given the chance to vote on whether they wished it to continue in the same form at the AGM in 1997.

Largest shareholder in the trust is the British Coal Staff Superannuation Scheme and Mineworkers' Pension Scheme, with 12.11 per cent, and it is envisaged that this institution will increase its stake to around 20 per cent of the enlarged equity as a result of the placing and open offer.

An EGM is called to approve the new issue on November 13 – the same date as the AGM. Dealings in the new shares are expected to start on November 17.

Yesterday, EFM Dragon shares were trading at 13p.

Mezzanine Capital Corporation Limited

Notice to the holders of the fully paid Bearer Depositary Receipts ("BDRs") evidencing Participating Redeemable Preference Shares of US 1 cent each ("Shares") of Mezzanine Capital Corporation Limited (the "Company")

Notice of Dividend and Capital Repayment

NOTICE IS HEREBY GIVEN to the holders of the BDRs that the Company has declared a final dividend for the financial year ended 31st May, 1989 of US$0.3667 per share. The BDRs are denominated in multiples of units ("Units"). Each Unit currently comprises 37 Shares. The dividend is, therefore, equivalent to US$13.57 per Unit.

The Company has also given notice that it intends to redeem an aggregate of 198,000 Shares at a price of US$13.73 per share. This will involve the redemption of 2 Shares in respect of each Unit and this capital repayment is equivalent to a further US$27.46 per Unit.

In accordance with Condition 6(B) of the conditions endorsed on the BDRs the number of Shares comprising a Unit will, following the redemption, be adjusted from 37 to 35. The number of units evidenced by each BDR will remain unchanged.

Payment of this dividend and of the capital repayment will be made, subject to receipt thereof by Manufacturers Hanover Bank (Guernsey) Limited ("the Depositary"), against surrender of Income Coupon No. 11 (INC No. 11) and Redemption Coupon No. 11 (RED No. 11) respectively, at the specified office of the Depositary or of any of the Paying Agents (set out on the reverse of the BDRs and at the foot of this Notice), at any time on or after 24th October, 1989.

Payment will, in each case, be made, subject to any laws and/or regulations applicable thereto, by dollar cheque drawn upon, or at the option of the holder of the relevant Coupon, by transfer to a dollar account maintained by the payee with, a Bank in New York City.

Copies of the Company's Annual Report may be obtained from the Depositary and Paying Agents.

BDR holders are advised that as a result of the capital repayment of US$27.46 per unit, the net asset value per unit of the company will be reduced from US$508.02 to US$480.56. BDR holders should note that the price per unit quoted on the London Stock Exchange will adjust accordingly.

Depositary and Principal Paying Agent
Manufacturers Hanover Bank (Guernsey) Limited,
Manufacturers Hanover House, Le Truchot,
St. Peter Port, Guernsey, Channel Islands

Paying Agents
Bankers Trust Luxembourg S.A.,
14 Boulevard Roosevelt,
Luxembourg, Grand Duchy of Luxembourg
Manufacturers Hanover Trust Company,
Bockenheimer Landstrasse 51-53,
D 6000 Frankfurt-am-Main 1, West Germany
Manufacturers Hanover Trust Company,
Shell Tower, 33/34th Storey,
50 Raffles Place, Singapore 0104
Manufacturers Hanover Trust Company,
7 Princes Street, London EC2P 2LR
Manufacturers Hanover Trust Company,
Edinburgh Tower, 43rd Floor,
15 Queens Road Central, Hong Kong
Manufacturers Hanover Trust Company,
Stockerstrasse 33, 8027 Zurich, Switzerland
Morgan Guaranty Trust Company of New York,
14 Place Vendôme, 75001 Paris, France

St. Peter Port, Guernsey
Dated 24th October, 1989

by: Manufacturers Hanover Bank (Guernsey) Limited
Depositary

KANSALLIS-OSAKE-PANKKI
(Incorporated with Limited Liability in Finland)
US DLRS 100,000,000
Subordinated Floating Rate Notes due July 1997

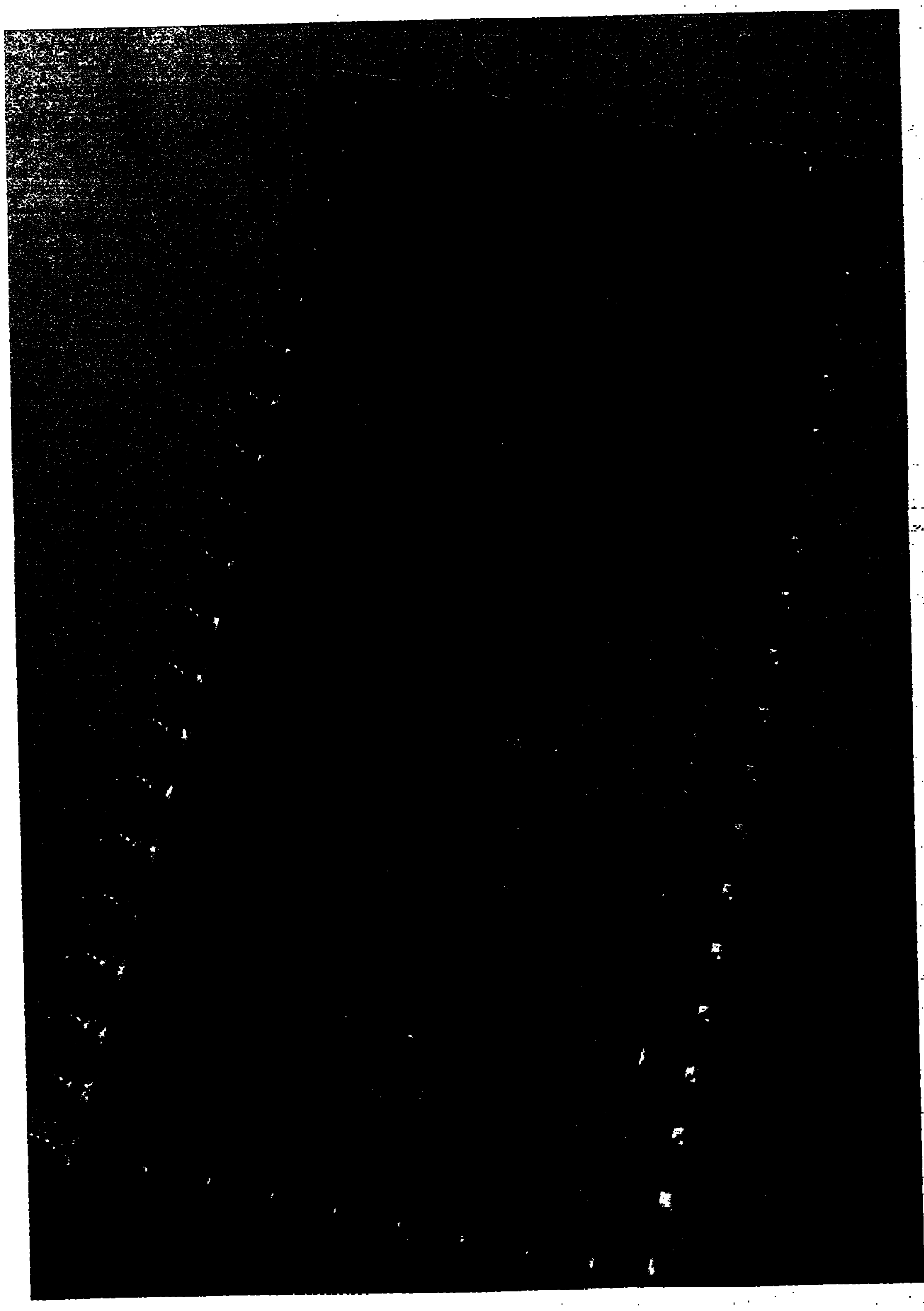
In accordance with the terms and conditions of the Notes, we hereby give notice that the next interest date will be January 24, 1990.

- Annual interest rate for the period from October 24, 1989 to January 24,1990 will be 8 11/16%

Interest payable will be:

- US$ 228.40 per US$ 10,000 nominal principal amount for registered notes
- US$ 228.40 per coupon for US$ 10,000 denomination bearer notes
- US$ 5,710.07 per coupon for US$ 250,000 denomination bearer notes.

THE COLOUR OF INNOVATION.



Lucas Green. High technology products and systems for specialist industrial applications. Lucas provides micro-electronic sub-systems and components to major international manufacturers in computing, telecommunications and other industrial markets.

Our colour symbolises innovation in major industrial systems from instrumentation to transport. As it does in our worldwide aerospace and automotive businesses.

Lucas

Innovation which results from a continuing commitment to research and development. In 1989 the Lucas Group is investing over £100 million in R&D.

That's the colour of successful innovation. Lucas Green.

UK COMPANY NEWS

Printer warns of second half loss and 'modest' full-year profits
PrinTech shares tumble to 45p

By Clay Harris

PRINTECH International, the Irish-based printer of computer manuals, yesterday warned that it would report a second-half loss and only "modest" pre-tax profits for the full year. It made I£2.01m (£1.65m) on turnover of I£12.54m in 1988.

Shares in the company, which are traded on the Unlisted Securities Market, closed 25p lower at 45p yesterday to value the company at £13.2m.

Even before that decline the shares had lost one third of their value since the beginning of October.

Profits from the main Irish-based operation, from which manuals are supplied throughout Europe, would fall because of a "significant short-term decline in the expected demand for computer documentation," it said.

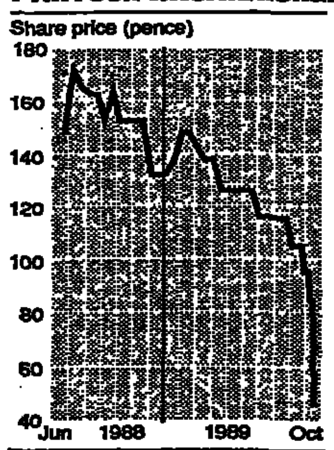
Moreover, a greenfield US operation at Boston would incur substantial losses this year, and PrinTech said it could give no firm indication when the plant would move into profit.

Although the company said it remained committed to printing on both sides of the Atlantic, it was not prepared to let the losses go on for an extended period.

PrinTech's customers include Apple, Digital Equipment, IBM, Lotus and Microsoft.

Mr Brian Stokes, managing director, said the company had not yet reaped the benefit of its investment in a disc-to-plate printing system which removed the film stage.

The shortfall in orders was well known in the Irish computer printing industry, he added, perhaps contributing to the recent weakness in PrinTech's share price.



Continuous Stationery in £0.8m disposal

By Andrew Hill

CONTINUOUS STATIONERY has completed the reorganisation of its business forms division by selling its manufacturing subsidiary to a management team for £800,000 cash.

The company, which owns the Prontaprint print and copy shops, has been changing the division's emphasis from manufacturing to distribution.

Continuous Stationery will receive an initial £595,000 for T Blackburn (Printers) and the balance in four instalments over the next five years. After the buy-out, only 29 per cent of business forms distributed by the group will also be manufactured internally.

Mr Bill Eastwood, chairman, said yesterday: "Blackburn did need quite considerable capital investment and we took the view – in the light of our concentration on distribution and marketing – that this was a good deal for the company."

Blackburn makes a variety of long-run business forms and made pre-tax profits of £150,000 in the year to March 31, although Continuous Stationery said the "level of activity" had been lower this year.

Mr Eastwood said proceeds of the disposal could lead to a reduction of nearly 50 per cent in borrowings, from £1.8m at the last year-end in March, to about £700,000 by the end of this financial year.

Last year, Continuous Stationery closed part of its loss-making forms manufacturing operation, retaining its manufacturer of plotter rolls. The group's Nottingham plant now operates as a quick response production service for the distribution operation and the Prontaprint shops.

Mr Eastwood said yesterday that turnover from the shops was up on last year.

Allied London rises 20% to £12.9m

By Peter Franklin

ALLIED LONDON Properties, the property investor and housebuilder, yesterday reported a 20 per cent rise in pre-tax profits and rental income in the year to end-June.

Mr Geoffrey Leigh, chairman, said it had been a significant year in the continued progress of the group, with the value of its portfolio rising by some 43 per cent to £236.4m.

Pre-tax profits increased from £10.7m to £12.88m and came from gross revenue of £24.83m (£18.61m). This comprised rental income of £10.9m (£9.08m), trading profit of £10.85m (£8.36m) and other income of £1.18m to £3.07m).

The company has been advised that the current rental values of its portfolio would be around £17.75m. After the inclusion of revenues from properties under construction it was estimated that this figure would be enhanced by a further £3m, Mr Leigh said.

The result included full-year contributions from Westenhall Cooper and Blenbury, both acquired last year and since integrated into Sterling Homes, the group's housebuilding division. It was the acquisition of these companies which Allied London blamed for a 28 per cent increase in administrative expenses to £5.72m (£4.46m).

Interest payable was up 81 per cent at £6.23m (£3.45m).

The group has borrowings of £96m. However, some 85 per cent of this is at fixed rates averaging 10.75 per cent, so the company has been somewhat cushioned from the effects of the recent surge in interest rates.

Bank deposits amounted to £30m, partly as a result of a further issue of debenture stock. Net borrowings were therefore reduced to £66m.

The group's portfolio of properties is spread across three main areas with offices representing 47 per cent, industrial 40 per cent and retail 13 per cent. This spread, both geographically and by activity, was constantly under review, Mr Leigh said.

The development programme was proceeding well with office and retail projects in Hertfordshire and Kent nearing completion. The housebuilding division had a satisfactory year with sales continuing, albeit at a lower rate.

With the cash resources at its disposal the group was well placed to take advantage of further opportunities as they arose, he said.

After tax of £4m (£3.53m) earnings per 10p share came out at 10.84p (10.63p) or 8.8p (8.26p) fully diluted. The proposed final dividend of 2.225p (1.85p) makes a total for the year of 3.3p (2.75p), an increase of 20 per cent.

Provident to sell estate agency chain

By David Barchard

Whitegates, a Bradford-based estate agency chain, is to be sold by its parent, Provident Financial Group.

With 103 agency branches, most of them in the north of England, Whitegates ranks as the 13th largest UK estate agency operation. It incurred a loss of £450,000 in the first half of this year, after making a profit of £1.4m during 1988.

Mr Peter Hogg, Provident Financial's chief executive, said yesterday that the decision to sell followed a review of the group's businesses. Whitegates was set up by Provident in 1978 with most of its branch network being started from scratch.

"The housing market is hard to predict at the moment. We intend to focus Provident's future development on our successful consumer credit and insurance activities," Mr Hogg said.

He disclosed that several approaches had already been received from possible buyers. Some 18 months ago, when estate agency operations fetched up to £300,000 per branch, Whitegates would have cost a potential buyer around £30m.

The chain should be attractive to a financial services organisation wanting to broaden its distribution base. About half of Whitegates' customer base consists of first-time buyers.

Morgan Grenfell is advising Provident in the sale. Mr Hogg said he did not think a management buy out was likely.

Sharp turnround into profits at Borland

By Alan Cane

BORLAND INTERNATIONAL, a US-based personal computer software company quoted on the USM, yesterday reported a $5.93m (£3.73m) profit before tax for the six months ended September 30, compared with a loss of $5.77m for the same period last year.

Revenues from sales and royalties were up 18 per cent at $48.4m compared with $40.9m last year. Earnings per share were 25.9 cents, against a loss of 53.4 cents per share in 1988.

Mr Alan Hendricks, Borland's chief financial officer said yesterday that in common with its US competitors, Borland would not be paying a dividend "for the foreseeable future".

One of the company's five buildings in the San Francisco Bay Area was damaged as a result of last week's earthquake, Mr Hendricks said, but no employees were injured. Master copies of the company's software had been safely stored away and full customer service and technical support operations were expected to be operational yesterday. The damage was an inconvenience rather than a major problem.

Borland's early success was founded on software packages that made personal computers easier to use. Last year, however it lost $2.5m on sales of $90.5m, the result, according to Mr Hendricks, of a failure to control expenses together with the costs associated with a major restructuring of the company.

Today, about 40 per cent of revenues come from "Paradox", a program which enables customers to manage their files, and a further 40 per cent from computer languages like "Turbo Pascal" and "Turbo C". The balance comes from utilities of the kind the company started with.

Paradox is a relational database, a file management system which enables users to seek out information more easily than earlier database technologies. Borland claims it is winning market share from better established database vendors including the US company Ashton-Tate with Paradox.

It also claims that it could win up to 10 per cent of the electronic spreadsheet market with Quattro Pro, a package launched earlier this month to enthusiastic reviews.

The company is well advanced with plans to seek a listing on the US Nasdaq market. The share price moved up 4p to close at 601p.

Lowland Investment assets advance 25%

Net asset value of Lowland Investment Company was 223.8p at June 30 1989 – a rise of 25 per cent on the figure of a year earlier.

The investment trust reported net revenue of £1.59m (£1.29m) in the year to end-June for earnings of 6.76p (5.5p) per share.

A final dividend of 4.5p is recommended, making 6.5p (5.3p) for the year.

Northumbrian Water to diversify

Northumbrian Water Company, one of the 10 UK water and sewage businesses to be floated next month, hopes to diversify into clinical waste disposal, writes Andrew Hill.

The company is seeking planning permission to build a clinical waste disposal unit on the site of a disused sewage treatment works near Gateshead. Waste from hospitals, and doctors', dentists' and veterinary surgeries in north east England would be incinerated at the plant.

Northumbrian said the incinerator would be designed to meet or improve upon the most stringent British and EC standards.

The former water authority has already announced a number of moves into non-core businesses.

ANALYSIS OF BANK ADVANCES AND ACCEPTANCES[1]

To UK residents by reporting institutions in the UK at August 31 1989 (Bank of England Quarterly Bulletin)

Amounts outstanding (sterling and other currencies, sterling only in italics) All monthly reporters £m		Total to UK Residents	of which in sterling	Agriculture forestry & fishing	Energy and water supply: Oil and extraction of natural gas	Other energy industries	Water supply	Manufacturing industry: Total[2]	Extraction of minerals & ores	Metal manufacturing	Mineral products
Loans and advances											
1989	MAY	328,907		6,608	3,116	529	96	38,903	886	1,291	1,184
	AUG	378,201		6,912	3,875	750	128	43,625	1,284	1,431	1,372
Acceptances											
1989	MAY	17,878		56	284	25	8	6,109	93	186	137
	AUG	17,378		43	97	35	10	6,006	106	228	93
Total											
1989	MAY	346,784		6,665	3,400	554	103	45,012	979	1,477	1,321
	AUG	395,579		6,955	3,972	785	138	49,631	1,389	1,659	1,465
Of which in sterling											
1989	*MAY*	*278,886*		*6,571*	*1,348*	*347*	*103*	*32,749*	*495*	*997*	*807*
	AUG	*320,939*		*6,873*	*1,439*	*585*	*124*	*34,724*	*800*	*1,062*	*873*
Changes in total lending in sterling three months ended:											
1989	MAY[2]	13,078		215	-114	- 92	-13	506	78	-102	112
	AUG[3]	14,994		242	90	238	21	1,974	105	64	66
In other currencies (Adjusted for exchange rates effects)											
1989	MAY[4]	795		- 8	11	-70	- 1	1,479	28	47	49
	AUG	6,6 51		47	477	- 6	13	2,611	302	116	77
Group detail Total outstanding (Sterling and other currencies)											
Retail banks											
1989	MAY	178,438	*169,259*	6,268	668	212	39	22,921	438	720	702
	AUG	212,837	*202,677*	6,569	640	164	60	24,012	573	740	767

Amounts outstanding (sterling and other currencies, sterling only in italics)		Manufacturing industry (Continued): Chemical industry	Mechanical engineering	Electrical & electronic engineering	Motor vehicles	Other transport equipment[6]	Other engineering and metal goods	Food drink & tobacco	Textiles leather clothing and footwear	Other manufacturing
Loans and advances										
1989	MAY	2,220	2,699	4,394	971	1,446	2,544	7,208	2,639	11,421
	AUG	2,312	3,092	4,732	1,072	1,347	2,958	7,672	2,954	13,402
Acceptances										
1989	MAY	606	256	806	460	67	215	2,053	301	929
	AUG	476	211	879	394	80	196	1,894	283	1,162
Total										
1989	MAY	2,826	2,954	5,200	1,431	1,513	2,759	9,262	2,940	12,349
	AUG	2,788	3,303	5,611	1,467	1,427	3,154	9,566	3,237	14,564
Of which in sterling										
1989	*MAY*	*2,217*	*2,241*	*3,578*	*1,162*	*1,220*	*2,249*	*6,914*	*2,427*	*8,441*
	AUG	*2,015*	*2,417*	*3,802*	*1,196*	*1,276*	*2,314*	*6,734*	*2,586*	*9,930*
Changes in total lending in sterling three months ended:										
1989	MAY	331	91	- 93	- 34	-195	189	-338	151	315
	AUG	-203	175	224	- 26	56	65	-180	136	1,489
In other currencies (Adjusted for exchange rates effects)										
1989	MAY	52	70	252	-2 3	77	15	669	17	226
	AUG	163	171	184	61	-142	326	479	158	716
Group detail Total Outstanding (Sterling & Other Currencies)										
Retail banks										
1989	MAY	1,646	1,849	2,659	478	1,039	1,941	3,918	1,779	5,556
	AUG	1,489	2,087	2,852	489	939	2,179	3,923	1,813	6,150

Amounts outstanding (sterling and other currencies, sterling only in italics)		Construction[7]	Garages, distribution, hotels and catering: Total	Retail motor trades	Other retail distribution	Wholesale distrib.	Hotels & catering	Transport & communications: Air transport	Other transport	Postal services & telecommunications
Loans and advances										
1989	MAY	12,781	33,921	3,512	9,179	11,800	9,430	620	4,096	1,144
	AUG	14,003	36,395	3,882	11,442	12,037	9,034	946	3,978	946
Acceptances										
1989	MAY	509	3,154	228	1,343	1,414	169	-	92	337
	AUG	416	3,186	255	1,324	1,474	134	10	56	291
Total										
1989	MAY	13,290	37,075	3,740	10,622	13,214	9,599	620	4,188	1,481
	AUG	14,420	39,581	4,137	12,765	13,511	9,168	958	4,034	1,238
Of which in sterling										
1989	*MAY*	*12,180*	*27,388*	*3,649*	*9,975*	*6,436*	*7,328*	*417*	*2,875*	*1,181*
	AUG	*13,047*	*30,121*	*4,041*	*12,167*	*6,693*	*7,220*	*704*	*2,785*	*995*
Changes in total lending in sterling three months ended:										
1989	MAY	972	460	157	239	-255	310	40	19 1	88
	AUG	768	2,731	391	2,182	258	-109	286	- 90	-187
In other currencies (Adjusted for exchange rates effects)										
1989	MAY	58	26	48	54	-161	85	-26	74	- 10
	AUG	260	-232	5	50	35	-322	49	-64	- 56
Group detail Total Outstanding (Sterling & Other Currencies)										
Retail banks										
1989	MAY	8,807	19,477	2,379	7,107	4,030	5,962	183	2,067	869
	AUG	9,503	20,160	2,714	7,684	4,222	5,539	248	2,116	578

Amounts outstanding (sterling and other currencies, sterling only in italics)		Financial: Total[8]	Building societies[10]	Investment and unit trust etc	Insurance companies pension funds etc	Leasing companies	Securities dealers etc[9]	Other financial	Business & other services: Total[8]	Central & local govt. services	Property companies	Hiring of movables	Other services	Persons: House purchase[11]	Other
Loans and advances															
1989	MAY	87,273	6,954	7,728	4,054	12,412	17,358	38,770	55,261	1,690	26,848	1,140	25,583	48,077	36,484]
	AUG	91,349	5,786	7,317	3,673	13,758	19,114	41,702	60,628	1,754	29,556	1,277	28,040	76,592	38,074]
Acceptances															
1989	MAY	6,398	6	87	37	1,444	8	4,816	904	-	19	74	811		
	AUG	6,263	6	93	93	1,132	5	4,934	965	-	51	50	864		
Total															
1989	MAY	93,671	6,960	7,816	4,091	13,856	17,364	43,585	58,165	1,690	26,867	1,214	26,394	48,077	36,484
	AUG	97,612	5,793	7,410	3,766	14,888	19,120	46,636	61,593	1,755	29,608	1,327	28,904	76,592	38,074
Of which in sterling															
1989	*MAY*	*59,040*	*6,786*	*5,289*	*3,191*	*12,778*	*3,364*	*27,813*	*50,570*	*1,667*	*25,263*	*1,124*	*22,498*	*47,994*	*36,133*
	AUG	*60,361*	*6,858*	*5,148*	*2,980*	*13,528*	*3,244*	*29,823*	*55,115*	*1,733*	*27,923*	*1,223*	*24,236*	*76,450*	*37,673*
Changes in total lending in sterling three months ended:															
1989	MAY	2,788	-212	341	455	1,626	- 44	622	4,310	68	3,038	71	1,139	1,690	2,048
	AUG	2,068	-215	-141	-232	750	-140	2,045	4,246	66	2,404	99	1,677	1,073	1,531
In other currencies (Adjusted for exchange rates effects)															
1989	MAY	- 854	-66	-376	187	40	- 755	116	23	-31	92	5	- 43	24	69
	AUG	2,572	-39	-284	- 94	279	1,869	821	872	- 1	99	14	760	59	49
Group detail Total Outstanding (Sterling & Other Currencies)															
Retail banks															
1989	MAY	19,424	1,191	4,402	1,486	3,139	2,254	6,950	29,368	466	12,067	571	16,244	41,330	26,804
	AUG	18,784	1,190	4,209	1,294	2,889	1,895	7,297	31,903	387	13,340	651	17,625	69,807	28,075

[1]Comprises loans, advances and acceptances. Loans and advances include lending under the DTI special scheme for domestic shipbuilding, secured call money placed with Stock Exchange money brokers and gilt-edged market makers, and time deposits placed with, and holdings of certificates of deposits and other securities issued by, building societies.
[2]Changes in the reporting population to May 1989 accounted for an increase of some £53m (net) in total sterling lending; other currency lending was reduced by some £2m.
[3]Changes in the reporting population to August 1989 accounted for a reduction of some £5m (net) in total sterling lending; other currency lending was reduced by some £4m.
[4]Revisions to the calculation of the adjustments for exchange rate effects have resulted in some substantial amendments to the foreign currency lending figures for the quarter to the end-May 1989.
[5]The levels shown at end-August 1989 include Abbey National plc and Abbey National Treasury Services plc, who joined the reporting provision at the beginning of July 1989. Both institutions are included in the retail banks group. Changes in total lending in the three months to end-August 1989 exclude data from these two institutions.
[6]Includes lending under the DTI special scheme for domestic shipbuilding.
[7]Incudes time deposits placed with, and holding of certificates of deposits and other securities issued by, building societies.
[8]Includes Stock Exchange money brokers, gilt-edged market-makers and inter-deal brokers.
[9]Due to the consolidation of a mortgage finance vehicle by one bank, lending for house purchase has been increased by some £0.3bn. The changes reflect the underlying movements.
[10]Changes in the quarter to end-August 1989 have been adjusted to continue to relect Abbey National as a building society. See also footnote [5].

COMMODITIES AND AGRICULTURE

Drawing up a rural agenda for Europe

Bridget Bloom and Tim Dickson interview the Brussels Agriculture Commissioner

MR Raymond MacSharry, who ten months ago became the European Community's first Rural Development Commissioner, frankly admits that he is still assessing the role. "If you were to ask me to explain, specifically and in a couple of sentences, 'What is your rural development policy', I couldn't give you an answer," he says. . . "The policy is developing, it's evolving, but I don't have all the elements yet." That, he hopes, will come after an official working group reports back to him at the end of November.

Rural development was added to the EC Agriculture Commissioner's portfolio when Mr MacSharry took over the post last January.

As he makes clear, the principal reason for the creation of the additional post stems from the impact on farmers, and on rural areas as a whole therefore, of the reforms of the common agricultural, set in train in 1984 and finally agreed at the summit of February 1988.

These have underlined farming's relative decline as the engine of rural growth, and at the same time have necessitated measures to help the poorest farmers adjust.

But Mr MacSharry has to try to make sense out of what critics allege so far amounts to little more than a mish-mash of measures aimed primarily at alleviating the farmers' lot. And he must do this against the background of two distinct strands of policy laid down before he took office.

One of these constitutes the philosophical basis for a rural development policy – the report, better known by its French title Le Monde Rural, agreed by the Commission in July 1988*. The other, critical financially, is the decision by the 1988 summit to double, to Ecu14bn (£9.7bn) by 1993, the size of EC's three structural funds (covering regional and social affairs and agriculture) which form the Community's "development" arm.#

The southern member states will take the lion's share of these new funds to help them adapt to the single EC market and while some of it will inevitably go to rural development, Mr MacSharry has formal responsibility only over the agricultural development fund, endowed with the comparatively small amount some Ecu6bn over five years.(Support for the milk sector cost Ecu6.3bn last year alone)

Raymond MacSharry: the first European Community Rural Development Commissioner

So if Mr MacSharry starts neither with a clean slate nor with very clear political or bureaucratic responsibilities, how does he see the problem of rural development?

Although as Ireland's former finance minister, one senses that he is more at home with the rough and tumble of price negotiations than with philosophical treatises, Mr MacSharry accepts the definitions proferred in Le Monde Rural. That report, while acknowledging that rural areas across the twelve member states vary markedly and thus need a range of "solutions", describes three standard problems.

First, are those areas suffering from over-development: much of rural southern England, for example, and some of the Greek islands. Pressure of population, combined with intensive agriculture, endanger the countryside. However, as the EC commissioner notes, environmental rather than developmental measures are needed to alleviate the problem.

At the other extreme are areas such as remote Scotland, where the inhabitants have all but left: there is little to be done to get sizeable populations back, but important not to allow further degradation.

In the middle, however, are areas of agricultural decline, ranging from much of France's Massif Central and Italy's Mezzogiorno to upland Wales and parts of Devon and Cornwall. Here people have been leaving the farms for the towns for many years, with what the French call "désertification" threatening rural life as a whole.

Here, Mr MacSharry believes much can still be done to encourage farmers to remain. One way is to diversify their sources of income so new small industries or tourism can be encouraged which will benefit whole rural communities.

"There are some excellent projects already," he notes, and recalls a recent visit to mid-Wales where a small leisure centre has attracted tourists which in turn have supplemented the ailing incomes of farmers hit by a downturn in sheep rearing.

Mr MacSharry acknowledges that one of the reasons there has been a lack of clarity over the last ten months is that he has had to meet "urgent priorities", many of them aimed at this middle group of areas, in piecemeal fashion.

For example, under the reformed agricultural fund, development plans are being drawn up by member states for 46 designated areas which are due to be submitted to the commission by the end of this month. These will be used the basis for new Community Support Frameworks – essentially EC approved plans detailing how and where the EC can help. Similar CSFs have already been drawn up for the southern areas which will get most of the new Structural Fund money.

Another of Mr MacSharry's concerns has been to alleviate the burden on smaller farmers: last week the commission gave its blessing to a series of new proposals involving production of minor cereals such as buckwheat and millet by smaller farmers as well as for small-scale cotton producers.

As part of this "small farmers" package, the commission approved plans for a new network of agricultural information offices, as well as outline agreement on measures to promote quality such as by extending the French 'appelation d'origine' system in agricultural products.

To try to pull together the various strands of policy and make a more coherent whole of it, Mr MacSharry is relying on his working party, appointed in July and comprising officials from virtually every directorate in the commission. "I hope to have their report by the end of November" he says. "It's a question of identifying what we are doing, how we can do it better and supplement it in areas where it needs supplementing."

What he expects to emerge will be seen, he says, as a follow-on to Le Monde Rural, albeit expressed in more practical terms. He will then hope to make concrete proposals on a range of new measures,from quality control to new ruralinvestment schemes.

Although Mr MacSharry is setting himself a timetable of only a few months for all of this, his attempt to produce new measures, so far, have been far from plain sailing.

The commission's attempt to earmark Ecu200m for the small farmers' package, for example, was rejected by the EC's budget council in the summer on what Mr MacSharry believes were primarily technical, rather than political, grounds.

Now that the details of the package have been spelt out, he hopes it will go through. "After all politicians all over Europe are demanding that we should help small farmers in this way" he says.

But perhaps the most substantial criticism of the seriousness of the whole attempt to provide the EC with a rural development policy is that, even after the reform of the structural funds, it is destined to take only a small share of the available funds.

The agricultural budget, set at Ecu26.7bn this year still accounts for 60 per cent of the total community budget. Some 95 per cent of agricultural spending is on market support, rather than on rural development measures.

If the EC is serious about rural development, shouldn't that balance be radically shifted? Mr MacSharry thinks not. He clearly does see some shift in expenditure from the so-called Guarantee (or market support) budget to the Guidance (development) side. Part of his trouble with last week's Ecu200m package is that he is proposing to pay for it out of the market support budget.

It is also evident that he believes more will be spent on rural development as a whole from the other funds. But he firmly maintains that at least some of the money paid to farmers to support their market operations ultimately finds its way to benefit a wider rural community and he repeats that the function the CAP must be to continue to support Europe's farmers.

For their part, those farmers must continue to improve their efficiency.

"Rural development will be more important in the future but it will not solve all the problems of our farmers" he says emphatically.

*The Future of Rural Society. Supplement 4/88 of EC Bulletin.
Guide to the Reform of the Community's Structural Funds. EC Official Publications Office. Luxembourg.

Animal disease fears as farm ministers tackle 1992 controls

By Tim Dickson in Brussels

THE SPECTRE of foot and mouth and other animal diseases being imported into Britain will be raised in Luxembourg today when EC farm ministers tackle the highly sensitive issue of veterinary controls after 1992.

The subject goes right to the heart of British fears about the removal of frontier checks, a development seen by Brussels as central to the success of the European single market.

With this in mind the European Commission last year tabled a proposal for current border inspections of live animals, fresh meat, and meat products to be replaced by new checks at the points of origin and destination. Checks en route would only be justified if there were grounds for suspicion of disease.

"Today's meeting – the first time the matter has been discussed at Ministerial level – will consider a new compromise from the French Presidency which excludes live animals. As things stand, however, the Commission is not prepared to go along with that idea (in which case it has to be agreed unanimously), while the concession is not thought likely to satisfy Britain, Ireland and Denmark.

All these countries are concerned that their relatively high veterinary status may be compromised, and that diseases like classical swine fever, African swine fever and foot and mouth could be imported.

Mr John Gummer, the UK's Agriculture Minister, is likely to insist that border controls should stay, although British officials prefer to talk about an "appropriate point in the transport chain which interferes as little as possible with the routing of the goods."

The principles at stake are just as hard to swallow for the Commission, which believes that health matters should not be allowed to interfere with the pursuit of a single market and that veterinary standards will not be lowered.

Mr Henri Nallet, the French chairman of the meeting, is known to be anxious to reach quick agreement on the proposal, although this is unlikely to happen today.

SA diamond miners strike as talks fail

By Jim Jones in Johannesburg

ABOUT A third of De Beers diamond production has been halted by a legal strike of 8,000 black miners in South Africa.

The strike, in support of wage demands, was suspended last week for negotiations. However, mediation failed to narrow the gap between the 26.6 per cent increase demanded by the National Union of Mineworkers (NUM) and offers ranging from 16.5 per cent to 18 per cent from the company. Strike action was resumed yesterday morning.

The company has unilaterally implemented its proposed increases for about 5,000 employees not represented by the NUM and has given the strikers until tomorrow to accept.

All of the company's South African mines are affected by the strike. Last year they produced 8.98 million carats of diamonds against 0.94 million carats at the Namibian mines and 15.23 million carats at De Beers' operations in Botswana.

The company says it will not be able to quantify production losses until tomorrow. Some processing plants remain in operation and De Beers thinks losses could be made up during the present quarter.

Consolidated Murchison, South Africa's only antimony mine which produces approximately 20 per cent of the world's supply, remains crippled by a legal wage strike which started on September 28.

Australian magnesite project planned

By Chris Sherwell in Sydney

ONE OF the world's largest high-grade magnesite deposits is to be developed in a A$180m (£87.8m) project following agreement on production and marketing between two Australian mining companies and an Austrian user.

According to Pancontinental Mining, the project's operator, the development will make Australia a major player in yet another mineral – repeating previous achievements in iron ore, coal, bauxite, uranium, diamonds and gold.

The focus of yesterday's deal is a major deposit of high-quality "cryptocrystalline" magnesite, which constitutes around 10 per cent of the world's known magnesite reserves.

Magnesite is a key source of magnesia, which is used as a refractory lining in steel furnaces.

Located at Kunwarara, near Rockhampton in Queensland, the deposit is to be mined by a partnership of Pancontinental (40 per cent), Queensland Mines (50 per cent) and Radex Heraklith of Austria (10 per cent), a large manufacturer of refractory bricks. The mine has a life expectancy of 30 years.

About 30 per cent of the cost will be funded through equity, the remainder through loans. Construction is expected to commence early next year, with commissioning of the first stage of the main processing plant scheduled for mid-1991.

According to Mr Tony Grey, Pancontinental's chairman, overall magnesia consumption by the steel industry has been static in recent years, but demand at the premium end of the market, which the Queensland project will supply, has been increasing.

Thus, Pancontinental estimates demand for high-wear, top-quality magnesia in 1988 was 280,000 tonnes, while supply was only 150,000 tonnes. Moreover the refractory magnesia market is said to be small, and supplied by less than 100 producers.

The overall world market for magnesium compounds is put at 23m tonnes per year of magnesite equivalent, with a value of some A$3.5bn. The majority of the world's magnesite reserves are located in China, North Korea and the Soviet Union.

● Mr Grey yesterday lambasted the Australian Labor Government's restrictive uranium mine policy when he addressed shareholders at Pancontinental's annual meeting.

He complained that the company's world-class uranium resources remains undeveloped at Jabiluka in the Northern Territory because Labor policy allows only three mines to operate – Ranger, Nabarlek and Olympic Dam.

Mr Grey accused the Government of delaying a Labor Party committee report on uranium mining pending the next federal election.

"Australia, faced with balance-of-payments difficulties, high interest rates and economic uncertainty, cannot any longer afford to have the uranium equivalent of Don Quixote galloping across that economic landscape," he declared.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium	[illegible]
Copper	[illegible]
Lead	[illegible]
Nickel	[illegible]
Zinc	[illegible]
Tin	[illegible]

UK to seek labelling for environment-friendly timber

By John Hunt, Environment Correspondent

THE BRITISH Government is to press for an international labelling system which will show that timber has been produced in a way that does not cause further destruction of the tropical rain forests.

The move will be made by the Overseas Development Administration at the meeting of 43 countries of the International Tropical Timber Organisation in Yokohama, Japan, next week. The proposal was drawn up in consultation with Friends of the Earth, the environmental organisation.

The labels would state that tropical hardwood has been felled in a way that conformed to sustainable development. This would mean that it had been taken from properly managed areas of secondary forest where logging operations had already occurred.

The main source areas for tropical timber are Malaysia, Indonesia, West Africa and Brazil. The extent of tropical deforestation has caused increasing international concern because of the impact it has on global warming – the greenhouse effect.

Yesterday The World Wide Fund for Nature (WWF) said it would be urging the conference to adopt an emergency programme to save the tropical forests.

"Destruction of these forests will result in biological, cultural and economic impoverishment that future generations will curse us for," said Mr Adam Markham, WWF's campaigns officer.

WWF is calling for ITTO to draw up a convention requiring that the entire international tropical timber trade should be based on sustainable management techniques by 1995.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE LONDON Metal Exchange copper market continued in retreat yesterday with the cash quotation ending £76.50 down at £1,757.50 a tonne and the premium over metal for delivery in three months narrowing by £11.50 to £18 a tonne. Dealers said that much of the market's recent bullishness seemed to have been eroded following the ending of the Highland Valley strike in British Columbia and the downward trend had been encouraged by expectations of a restart soon at the Cananea mine in Mexico. A fair-sized fall in LME warehouse stocks of copper seemed to have been shrugged off. Zinc stocks were also down but with the total remaining high prices continued to decline, influenced by the soft tone in copper. Cash high grade zinc closed at $1,545 a tonne, extending last week's $35-a-tonne decline by another $30.

SPOT MARKETS — Crude oil (per barrel FOB); Oil products (NWE prompt delivery per tonne CIF); Other

COCOA – London FOX (£/tonne) — Close | Previous | High/Low

COFFEE – London FOX (£/tonne) — Close | Previous | High/Low

SUGAR – London FOX ($ per tonne) — Raw; White — Close | Previous | High/Low

CRUDE OIL – IPE ($/barrel) — Close | Previous | High/Low

GAS OIL – IPE ($/tonne) — Close | Previous | High/Low

POTATOES – BFE (£/tonne) — Close | Previous | High/Low

SOYABEAN MEAL – BFE (£/tonne) — Close | Previous | High/Low

FREIGHT FUTURES – BFE ($10/index point) — Close | Previous | High/Low

GRAINS – BFE (£/tonne) — Wheat; Barley — Close | Previous | High/Low

PIGS – BFE (Cash Settlement) p/kg — Close | Previous | High/Low

TEA

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading) — Close | Previous | High/Low | AM Official | Kerb close | Open interest

LONDON BULLION MARKET — Gold (fine oz) $ price; £ equivalent

TRADED OPTIONS

US MARKETS

New York — GOLD 100 troy oz; PLATINUM 50 troy oz; SILVER 5,000 troy oz; COPPER 25,000 lbs; CRUDE OIL (Light) 42,000 US galls; HEATING OIL 42,000 US galls; COCOA 10 tonnes; COFFEE "C" 37,500lbs; SUGAR WORLD "11" 112,000 lbs; COTTON 50,000; ORANGE JUICE 15,000 lbs

Chicago — SOYABEANS 5,000 bu min; SOYABEAN OIL 60,000 lbs; SOYABEAN MEAL 100 tons; MAIZE 5,000 bu min; WHEAT 5,000 bu min; LIVE CATTLE 40,000 lbs; LIVE HOGS 30,000 lb; PORK BELLIES 40,000 lbs

INDICES — REUTERS (Base: September 18 1931 = 100); DOW JONES (Base: Dec. 31 1974 = 100)

LONDON STOCK EXCHANGE

Equities subdued ahead of trade data

THE SHADOW of the UK trade figures for September, to be announced this morning, ran before them yesterday, cutting trading activity in the equity market to levels unviable from the point of view of the securities houses. Seaq share trading volume of 276.8m was about one-fifth below the dismal totals recorded towards the end of last week.

In these circumstances, traders were unimpressed by a cautious rise in blue chip share prices which took the Footsie Index ahead by 16 points at best, until a slow start in New York took the top off the London market. At its final reading, the FT-SE Index was a net 10.6 up at 2,189.7. Analysts noted that the Footsie had backed away earlier as it approached the 2,200 mark, which may prove a barrier.

Account Dealing Dates

First Dealings:		
Oct 16	Oct 30	Nov 13
Option Declarations:		
Oct 26	Nov 9	Nov 23
Last Dealings:		
Oct 27	Nov 10	Nov 24
Account Day:		
Nov 6	Nov 20	Dec 4

*New time dealings may take place from 9.00 am two business days earlier

The market's lack of heart ahead of the trade figures was not helped by the failure of British Airways' £320m convertible rights issue, of which all but 6.3 per cent was left with the underwriters. The blow was all the harder since the rights issue, being apparently no longer wanted for the airline's projected UAL deal in the US, will serve to strengthen the British Airways' balance sheet.

Speculative activity continued to feature the insurance sector. However, the UK financial share sectors showed no immediate reaction to the news from Paris that Paribas has applied to bid for two-thirds of Navigation Mixte.

The equity market was clearly very apprehensive ahead of the UK September figures which are expected to have significant implications for sterling and for domestic interest rate policy. The median market forecast is for some improvement on the current account deficit of £2bn recorded for August, probably to around £1.6bn.

Equity strategists have been decidedly inaccurate forecasters of the monthly trade figures lately, and the range of predictions widened substantially yesterday as all options were covered: forecasts for the September deficit now range from £1.5bn to £2bn.

The market's underlying worry is for domestic interest rates, especially since Mr Nigel Lawson, the UK Chancellor of the Exchequer, told his Mansion House guests last week, that his interest rate/exchange rate policy remains in place.

Today also brings the latest survey of UK business opinion from the Confederation of British Industry (CBI), which is widely expected to repeat the bearish views of the survey taken in the previous month.

While the stock market is resigned to a deficit on UK trade this year substantially above the Chancellor's predictions, it remains fearful that any further trade deterioration could drive sterling down again and force another increase in domestic interest rates.

Market cautious on Lucas

The generally dull picture in equities was lightened by a strong performance from Lucas Industries on the back of sharply increased profits for the year. However, the 28 per cent rise at pre-tax level was greeted more cautiously by analysts than the 13 rise to 614p in the shares might suggest. Profit forecasts for the current year were little affected by yesterday's news, with County NatWest holding its prediction unchanged at £205m pre-tax.

At Citicorp Scrimgeour Vickers, Martin Smith found the figures "slightly disappointing on the automotive side", pointing out that the earnings total was helped by an jump in property profits. Sandy Morris at County commented that the outlook for Lucas' automotive side remains clouded, with setbacks likely in both UK car and after-market sales. There was general applause for the performance of the group's aerospace operations.

The cautious view on the UK car divisions was reflected in some signs of switching from Lucas into GKN, regarded as the best "pure car component play" in the UK market. "GKN is a lot stronger on fundamentals and implies fewer risks," commented Mr Morris. "Lucas has a wider business spread, and there is more bid potential". GKN closed 8 higher at 392p.

Airways slide

A double blow struck British Airways shares, leaving them with the biggest decline of the day in percentage terms among FT-SE 100 stocks.

Dealers were disappointed with the less than 7 per cent take-up of the company's rights issue; estimates last week had ranged up to 40 per cent. The issue was to help pay for a stake in United Airlines, the US carrier, but the deal collapsed last week. The shares were further undermined by the failure of the United deal.

Mr Dan White, analyst at County NatWest WoodMac, said the low level of subscriptions to the rights issue would "cast a cloud over the share price for a while." He added, however, that there were divergent views on how much of a setback it might prove for Airways to have failed to have a stake in United. BA might be tempted to get involved again eventually, especially if a third party were to bid for United.

BA slipped 5 in the morning session before recovering by the close to 194p, a net decline of 3, on relatively good turnover of 3.7m shares.

Eurodisney market

This morning, shares in Eurodisney become tradable on the London International Stock Exchange on a "when issued" basis. The move was prompted by the appearance of an unofficial "grey market" in the shares and consequent fears of a "disorderly market," according to the Stock Exchange Council.

In the Paris grey market yesterday afternoon, Eurodisney shares were trading at a mid-price of FFr81.75, or £8.14.

In an oil and gas sector reduced to pitifully thin turnover levels, the stocks associated with SHV, the Dutch holding company, came in for a fresh bout of speculative activity.

Burmah, where SHV recently increased its stake to 7.5 per cent, rose 10 more to 676p, although turnover in the shares came at only 253,000, indicating that any further stake-building yesterday by SHV was on a minor scale. But traders said SHV may well have been back in the market around the time of its announcement last Friday.

Citicorp Scrimgeour Vickers, widely thought to have built the SHV stake in Burmah, were seen to be keen buyers of Burmah shares yesterday, and there was again evidence of buying on behalf of US arbitrageurs. As one dealer put it: "It seems as if SHV are not the only interested party in Burmah; I wouldn't rule out another stake-builder."

Calor, a strong performer recently on talk that Burmah may be interested in bidding for the group, in which SHV has a 44 per cent holding, made early progress to touch 453p before retreating to close a net 6 off at 444p. The oil team at Hoare Govett told clients to take profits in Calor. The Hoare team registered concern at the way Calor shares have run up on the back of the Burmah bid stories, saying that the buying has been "misdirected and misplaced" because SHV has focused on Burmah rather than Calor. The latter's shares, according to Hoare, are "fundamentally overvalued."

Premier Consolidated, where Burmah retains a near 30 per cent stake, edged up to 110p before closing unchanged on balance at 108p.

Insurances maintained their recent progress, albeit at a slower pace. All three sub-sectors, lifes, composites and brokers, were well supported, with dealers talking of further rationalisation in financial services taking place on the Continent – yesterday brought news that Paribas is bidding for Navigation Mixte.

Takeover speculation in lifes continued unabated with **Refuge**, where Athena, the French insurance group has a 9.34 per cent stake which it is thought to have increased over recent trading sessions, jumping 11 more to 637p. **Britannic**, with a 7.3 per cent stake in Refuge, edged up 5 to 545p. **Sun Life** advanced 8 to 1168p but Robert Fleming, the securities house, says the agreement between Transatlantic and UAP "is not wholly positive for the Sun Life share price in the short term as it brings forward the possibility of a rights issue to level the dedicated holdings at 26 per cent." Fleming expects UAP to gain control of Sun life eventually but sees "no reason for them to rush".

On the lifes Fleming "remains confident of continuing outperformance, despite the superb performance already; we look for Legal & General and London and Manchester to give us the next relative upwards movement."

Royal Insurance outperformed the other composites, amid continued talk of possible takeover interest in the stock; at the close Royals were 13 ahead at 488p.

Brokers continued to reflect hopes that non-marine insurance premiums may soon be moving up. **Lloyd Thompson** were the star performer yesterday, the shares advancing strongly to close 11 firmer at 256p. **Sedgwick** added 6 at 270p and **Steel Burrill Jones** 7 at 238p.

Among merchant banks, **Morgan Grenfell** dipped late in the session to close 11 lower at 383p after the bank repeated that it has received no formal takeover bid and that no management buy out is planned. **SG Warburg**, due to report preliminary results next month, raced up 7 to 428p.

Reports that **Reuters**, the global financial reporting group, may face one-day strikes by the London workforce which could disrupt its news and data services knocked the shares back 7 to 898p. Reuters has, in any event, been looking unsteady since "Grey Monday" last week when London stocks fell sharply, on fears that some customers of its screen-based financial services might be forced to cut back.

Speculation over the destination of the 23.6 per cent holding in Scottish & Newcastle held by Elders IXL continued to support the former's price. One possible taker of the stake mentioned in market talk yesterday was LVMH, the French drinks and luxury goods supplier in which Guinness has a 25 per cent holding. Scottish closed 7 up at 369p.

Mr Michael Warshaw, former chairman of retail and property group **Knobs & Knockers**, sold more than 607,000 shares in the company to its directors and investment group MIM. The sale was at a 7p premium to Friday night's 73p close and the market took the move as a vote of confidence in K&K's prospects. The bullish mood was reinforced by the accompanying undertaking from Mr Warshaw to the effect that he would not sell his remaining holding of 900,000 shares, about 3 per cent of the company, for a year. The shares closed 17 better at 90p.

Hillsdown continued to benefit from the announcement on Friday that it was seeking permission from its shareholders to to buy back up to 10 per cent of its shares. Hillsdown closed up 6 at 277p. **Dalgety** rose 6 to 382p as investors continued to seek bargains after the sharp falls incurred at the beginning of last week. **Unilever** trailed behind the rest of the sector closing up 3 at 649p. Dealers said the shares appeared to have run out of steam after the recent strong rise.

The food retailers advanced as investors favoured the sector as a safe haven at a time of worries over slower economic growth.

Kwik Save, the discount supermarket retailer, gained 7 to 534p on a recommendation by analysts at BZW. **Tesco** rose 5 to 194p, also on a favourable BZW report. **Asda** gained 6 to 145p on a belief that its recent losses had been overdone. After the market closed, it emerged that a subsidiary of First City Financial, a Vancouver-based investment company controlled by the Belzberg family, had increased its stake in Asda to more than 5 per cent.

British Telecom edged up 2 to 266p, on strong turnover for a quiet day of 4.1m shares, in response to a note from Hoare Govett highlighting the "short term upside potential" in the stock but also its "long term concerns."

Mr Robert Pringle, at Hoare, said over the past month BT had outperformed by 9 per cent as the stock was identified as one of the most defensive situations in UK equities. "Ahead of interims due on November 16 we foresee this performance being sustained." Hoare expects BT to produce pre-tax profits of £1260m and "more important we would forecast a pre-tax gain of 11 per cent in the second half; our forecast of £2590m is at the top end of the range. while £2800 will be in prospect for 1990/1; we envisage BT trading up to 285p near term, argues Hoare."

But the broker also points out the threat to BT's growth from Mercury, the impact of a slowing economy and a duopoly review to be carried out by Oftel, which Hoare says may combine to create an unsettled climate which will depress sentiment and the rating as the year progresses. "Unless general UK equity prospects deteriorate greatly we therefore envisage BT to perform below the market in 1990," Hoare concludes.

Specialist metals supplier **Ross Catherall** said it had received a bid approach and the shares duly jumped 46 to 207p.

Stories in the French press that Airbus Industrie had secured Airbus orders from Aeroflot, the Soviet Airline, pushed **British Aerospace** share ahead. BAe has a 20 per cent stake in Airbus Industrie and makes the wings for the aircraft. The absence of official confirmation or denial of the story failed to dissuade marketmakers from their belief that the story was correct. "The French papers normally get the news first," said one.

On a quiet day, heavy trading in **Kwik-Fit** provided some Motors sector marketmakers with their only business of the day. Although the turnover figure is not published until this morning, one dealer estimated that between 3m and 4m shares changed hands. Dealers were convinced that this signified further buying by West German tyre-maker Continental, which last week more than double its stake to 13.13 per cent. Kwik-Fit jumped 15 before closing 11 better on the day at 152p.

ERF put in a belated recovery from last week's falls, ending 22 better at 313p.

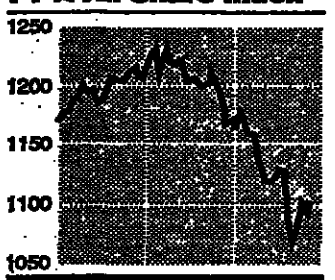
A burst of suggestions that Tomkins might use its 2 per cent stake in Delta to launch a bid, pushed the latter's shares to 330p before they subsided to 325p, still 5 better on the day.

Hammerson rose on news that interim profits had risen 51 per cent to £38.2m, higher than market estimates. Hammerson "A" shares closed up 7 a 765p.

Vague suggestions of further buying of **United Newspapers** shares by Mr Conrad Black, the Canadian media entrepreneur, pushed the shares to 465p before they closed at 461p, still 8 better on the day.

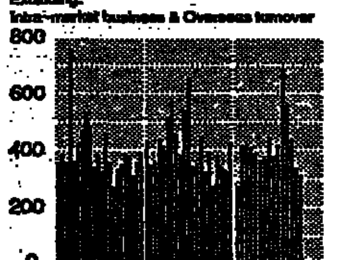
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 33

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Oct 23	Oct 20	Oct 19	Oct 18	Oct 17	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.66	84.59	84.70	84.68	84.78	86.76	89.28 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.05	93.74	93.20	93.40	93.37	97.70	99.59 (15/3)	93.20 (19/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1772.6	1761.0	1772.1	1768.5	1730.7	1499.4	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	196.3	197.3	193.2	190.6	192.5	167.1	215.2 (28/9)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2189.7	2179.1	2189.3	2170.1	2135.5	1848.4	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)

	Oct 23	Oct 20	Oct 19	Oct 18	Oct 17	Year Ago
Ord. Div. Yield	4.66	4.66	4.63	4.66	4.72	4.67
Earning Yld %(full)	11.21	11.24	11.16	11.22	11.35	11.76
P/E Ratio(Net)(☆)	10.78	10.74	10.82	10.76	10.64	10.30
SEAQ Bargains(5pm)	21,323	19,260	20,915	22,524	39,523	23,939
Equity Turnover(£m)†	-	711.49	785.00	1047.97	1329.96	995.28
Equity Bargains†	-	19,205	20,703	24,836	44,468	25,037
Shares Traded (ml)†	-	311.9	333.4	439.7	563.2	415.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.69

Ordinary Share Index, Hourly changes Day's High 1777.6 Day's Low 1762.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1762.3	1770.6	1771.4	1775.3	1776.9	1775.5	1773.6	1771.6

FT-SE, Hourly changes Day's High 2195.9 Day's Low 2179.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2179.5	2186.1	2187.7	2192.0	2194.6	2194.4	2192.4	2189.3

GILT EDGED ACTIVITY

Indices*	Oct 20	Oct 19
Gilt Edged Bargains	98.6	103.8
5—Day average	117.5	114.2

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	4,575	145	+6
Abbey National	1,600	195	+1
Allied-Lyons	599	489	+1
Amstrad	1,400	50	+2
Argyll Group	864	223	+3
Ass. Brit. Foods	152	385	+1
BAA	295	334	-1
BAT Inds.	694	777	-1
BET	785	271	+1
BICC	468	453	
BOC	497	481	+5
BPB Inds. (?)	561	230	
BTR	529	425	
Barclays	1,300	473	-2
Bass	475	974	+4
Blue Circle	488	239	-2
Boots	1,200	288	+2
Brit. & Comm.	499	127	+1
Brit. Aerospace	327	572	+4
British Airways	3,700	194	-3
British Gas	2,800	199	-1
British Land	154	321	+4
BP	3,300	291½	+½
British Steel	9,800	125	
British Telecom	4,100	266	+2
Burmah Oil	253	676	+10
Burton	1,800	195	+1
Cable & Wireless	543	494	+2
Cadbury Schweppes	647	362½	+½
Carlton Comm.	198	184	+1
Commercial Union	770	446	+3
Costain (?)	287	385	+6

Stock	Volume 000's	Closing Price	Day's change
Courtaulds	1,000	347	+10
Dalgety	80	382	+6
Eng. China Clays	758	408	+2
Enterprise Oil	92	594	+4
Fisons	1,200	322	
General Accident	353	1026	+11
General Elect.	1,000	226	
Glaxo	457	1393	-2
Globe Inv.	45	177½	+2½
Glynwed Int.	86	246	+1
Granada	139	313	+1
Grand Met.	1,400	532	-3
GUS A	122	1042	+9
GRE	791	220	+1
GKN	456	392	+8
Guinness	399	594	+1
Hammerson "A"	17	765	+7
Hanson	2,180	219	+3½
Harrisons & Cros.	37	149	+1
Hawker Siddeley	219	638	+4
Hillsdown Hldgs.	1,480	277	+6
[illegible]	353	216	-1
Imp. Chem. Inds.	329	1182	
Inchcape	459	251	+4
Jaguar	2,100	698	+2
Kingfisher	458	294	+6
Ladbroke	696	281½	-½
Land Securities	298	583	+1
Laporte	3	469	+3
Legal & General	293	354	+3
Lloyds Bank	308	367	+1

Stock	Volume 000's	Closing Price	Day's change
LASMO	249	514	+5
Lonrho	830	245	
Lucas	969	614	+13
MB Group	1,080	183	+1
MEPC	200	594	+4
Marks & Spencer	1,800	194	
Maxwell Comm.	519	209	-2
Mecca Leisure	2,400	164	+2
Midland Bank	297	325	-3
NatWest Bank	1,300	383	
Next	338	97	
Northern Foods	57	395	-1
Pearl	733	645	+2
Pearson	45	687	-2
P & O	885	593	-3
Pilkington	437	217	+1
Polly Peck Intl.	1,100	318	+15
Prudential	622	198	+2
RMC	252	437	-2
RMC	387	636	+1
RTZ	411	517	+2
Racal	2,400	228	+1
Rank Org.	318	880	+8
Reckitt & Colman	184	1130	+16
Redland	149	585	+2
Reed International	1,200	381	+2
Reuters	447	898	-7
Rolls Royce	2,400	168	-1
Rothmans	122	659	+9
Royal Bk of Scotland	424	173	+1
Royal Insurance	1,300	488	+13
STC	252	282	-1

Stock	Volume 000's	Closing Price	Day's change
Saatchi & Saatchi	211	315	+3
Sainsbury	1,200	256	+6
Scott & Newcastle	726	369	+7
Sears	3,900	158	+2
Sedgwick	1,300	270	+6
Shell Transport	2,400	435	+1
Siebe	43	499	
Slough Ests.	30	306	
Smith & Nephew	620	131	
SmithKline Beecham	477	541	+2
Smiths Industries	52	263	
Standard Chartered	487	499	+1
Storehouse	2,100	119	+2
Sun Alliance	499	298	
T&N	131	180	
TI Group	13	426½	+1½
TSB	355	187	+1
Tarmac	856	252	+1
Tate & Lyle	35	254	+1
Taylor Woodrow	59	272	+1
Tesco	2,800	194	+5
THORN EMI	738	745	+20
Trafalgar House	438	334	+2
Trusthouse Forte	1,300	282	-2
Ultramar	781	323	-2
Unilever	1,200	649	+3
United Biscuits	919	345	+2
Utd. Newspapers	361	461	+8
Wellcome	749	682	+12
Whitbread "A"	251	363	+4
Williams Hldgs.	141	236	
Wimpey	256	244	+1

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (28). BRITISH FUNDS (1) Treasury 2pc IL 1990, BANKS (1) Bank Ireland, BUILDINGS (2) [illegible] (1) ChemEx Intl. NEW LOWS (15). INT.BANK & O'SEAS GOVT. STLG. ISSUES [illegible]

APPOINTMENTS

Chairman of Whitworths

■ Mr Pat Ridgwell has been appointed chairman of WHITWORTHS, part of the Napier Brown Group. He succeeds Mr Ken Galley who has retired. Mr Ivor Atkinson becomes managing director.

■ Mr Geoffrey Almeida has been appointed group finance and commercial director of CITYGROVE from November 13. He was finance director of Parkdale Holdings. Mr Nicholas Hewson, currently finance and legal director of Citygrove, will continue as group legal director, and will concentrate increasingly on his new role as managing director of the retail parks division.

Mr John Hastie (above) has been appointed managing director of THE ROYAL BANK OF CANADA (ISLE OF MAN), the international private banking unit. He moves from a senior management post in Toronto.

■ COLOROLL GROUP has appointed Mr Ken Marks as a non-executive director. He recently retired as a director of Debenhams, and remains an associate director of Burton.

■ BILL MARTIN, Bristol, has appointed Mr Steven Berry as assistant technical director. He was manager, London financial planning department, Clark Whitehill.

■ BOUSTEAD has appointed as non-executive directors Mr Geoffrey Hall, chief executive of the UK-based companies in the Jack Chia Group, and Mr Colin Endacott who recently retired as a general manager of Standard Chartered Bank.

■ BELOW THE LINE PROJECTS, Wimbledon, has promoted Ms Fionnuala Parkinson to managing director; and Mr David Shoolbeiffer to the board as creative director. Ms Bernice Lovell joins the board from Francis Killingbeck Bain.

■ Mr Geoffrey Duckney, who was group information systems director, Inchcape, joins ORGANISATION AND TECHNOLOGY RESEARCH in November.

Chairman-designate of Lovells

■ Mr Antony Hichens, chairman of Caradon and until recently a managing director of Consolidated Goldfields, joins the board of Y.J. LOVELL (HOLDINGS) on November 21 as chairman-designate. Sir Norman Wakefield reaches retirement age in December and will retire from the chairmanship at the annual meeting early in 1990.

■ SECCOMBE MARSHALL AND CAMPION AGENCY BROKERS has appointed Mr John Pooley as chairman; The Earl of Clarendon and Mr Christopher Chapman as directors; and Mr Norman McLeod, Mr Graham McNeil and Mr David Wileman as managers.

■ Chartwell Land, the Kingfisher property company, has formed VANBRUGH LAND, a joint venture development company. Mr Andrew Slipper becomes managing director and Mr Michael Collins a director.

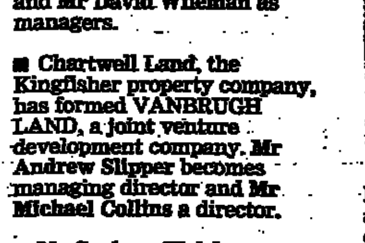
■ Mr Graham Walsh, managing director, Bankers Trust Company, has been appointed a non-executive director of HASLEMERE ESTATES. Mr Martin F. Delaney and Mr Paul F. Connellan become executive directors from January 1.

■ MoDo PAPER (UK), part of the Swedish group, has appointed Mr Ian Mabberley as marketing director. He was marketing services manager, ACCO Europe. Mr Hugh Sturges, formerly finance controller at International Distillers and Vintners, becomes finance director.

■ RELATIONAL TECHNOLOGY INTERNATIONAL has appointed Mr Mark Wells as UK director of marketing and indirect sales. He was sales director.

■ Mr Hugh Morison, under secretary in the Industry Department for Scotland, has been appointed a non-executive director of THE WEIR GROUP.

Pickfords move



Mr Roy Moysen (left) has been appointed president and chief executive of Allied Pickfords Industrial Movers Inc, Houston, Texas, first US operation of PICKFORDS INDUSTRIAL of which Mr Moysen was managing director. He has been succeeded by Mr Tony Quinn (right) who was operations director.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	55.75	56.75	59.63	+0.26	4.60
Gilts & Fixed Int	6	108.6	108.6xd	115.6	+0.3	8.65
High Inc Equity	6	127.4	127.4xd	136.3	+0.4	4.66
Worldwide Bond	6	205.0	205.0	218.0	+0.1	4.86
Capital Growth						
American Growth	6	201.7	204.3	217.4	+0.1	0.87
Asian Pacific	6	114.20	116.8	124.3	-0.1	1.05
Assets & Earnings	6	150.6	150.6	161.1	+0.2	2.30
Capital Reserve Acc	0	87.38	87.38	87.47	+0.10	4.57
Capital Reserve Inc	0	77.57	77.57	77.64	+0.08	5.15
Comdty & Energy	6	108.5	108.5xd	116.1	+1.0	1.64
1992 Enterprise	6	57.75	57.75	61.77	+0.31	2.07
Euro Capital Acc	6	95.35	96.44	102.6	-0.5	0.73
Euro Capital Inc	6	91.94	92.98	98.92	-0.55	0.76
General	6	170.3	170.3	182.2	+1.3	2.74
International	6	55.20	56.05	59.63	+0.26	0.84
Japan	6	122.9	124.3xd	132.3	+0.3	0.00
Mastertrust	6	90.47	90.47	96.76	+0.10	1.76
UK Growth Acc	6	180.5	180.5xd	193.1	+0.5	1.45
UK Growth Dist	6	119.2	119.2xd	127.5	+0.3	2.20
US Emerging Cos	6	55.30	56.92xd	60.56	-0.14	0.00
Income & Growth	6	291.0	298.9	318.0	+1.0	3.22
Ethical	6	45.13	45.13	48.27	+0.12	2.07

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	33.65	33.65	35.92	+0.21	2.76
European	5¼	73.97	74.14	79.15	+0.43	0.00
European Income	5¼	70.91	70.91	75.69	+0.17	2.43
Exempt	1	752.9	752.9xd	783.0	+0.90	1.93
Extra Income	5¼	42.13	42.13xd	44.97	+0.17	6.60
F East Emerg Econs	5¼	58.14	58.26	62.39	+1.32	0.29
Fund Inv Tst	5	123.5	125.3xd	133.8	+0.40	1.97
Do Accum	5	192.2	195.1xd	208.3	+0.60	1.99
Gilt & Fixed Int	5¼	20.66	21.44xd	22.88	-0.07	10.48
Income & Growth	5¼	67.79	67.79xd	72.36	+0.32	4.04
Int'l Income	5¼	65.08	65.08xd	69.47	+0.12	4.82

Buckmaster Mangmt Co Ltd—Contd.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
International	5	119.3	119.3	126.2	+0.3	4.06
(Accum Units)	5	164.1	164.1	179.5	+0.4	4.06
Smaller Co's	5	102.9	102.9	108.8	+0.4	2.26
(Accum Units)	5	113.1	113.1	119.6	+0.4	2.26
Inv Portfolio	2½	51.79	53.70	55.36	+0.16	3.81
(Accum Units)	2½	53.76	55.75	57.47	+0.17	3.81
High Income Port	3	46.30	46.67	48.36	+0.18	6.44

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7216

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sec Dist Gilt & FI	1¼	54.52	54.52	55.31	+0.05	2.85

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 01-407 5966

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
F & B Sel Intl Gwth	5½	50.83	50.83	54.75	+1.25	0.37

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	52.66	52.66	57.44	+0.20	2.25
Global Tst	5½	47.34	47.34	52.72	+2.67	2.01
Recovery Tst	5½	46.16	46.16	49.98	-2.34	1.92

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	107.3	109.0	115.0	+0.54	4.19

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH 061 837 5060

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth	6	96.38	98.04	104.3	+0.4	2.57
UK Income	6	95.86	97.66	103.9	+0.6	5.44

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	65.22	65.22	69.38	-0.08	1.26
CS International	5	60.48	60.48xd	64.34	+0.28	1.63
CS Japan	5	154.4	154.4	164.2	-0.2	0.20
CS Portfolio Inv	5	69.04	69.04	73.44	+0.49	2.57

Canada Life Unit Tst Mngrs Ltd (1200)F
High St, Potters Bar, Herts, EN6 5BA 0707 51122

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	141.4	144.2	151.8	+0.50	3.05
Do Gen Accum	5	238.7	243.7	256.5	+1.90	3.05
Do Income Dist	5	91.26	93.78xd	98.71	+0.36	5.71
Do Inc Accum	5	215.3	221.1	232.7	+0.80	5.71
Gilt & Fxd Int	5	36.01	36.10	38.00	-0.02	8.45

Cannon Fund Managers Ltd (0700)H
1 Olympic Way, Wembley, HA9 0NB
01-902 8876. Dealing: 0800 282621

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5½	37.00	37.52	40.13	+0.27	2.55
Income	5½	46.28	47.18	50.46	+0.30	4.12
Far East	5½	40.62	41.39	44.03	+0.39	0.05
North American	5½	41.66	42.08	45.01	+0.02	1.60

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Midland Unit Trusts Ltd—Contd.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl High St UT	6	57.66	57.66	61.67	+0.29	1.57
(Accum Units)	6	59.43	59.43	63.56	+0.29	1.57
Japan Growth	6	414.6	414.6	443.9	-1.6	0.00
(Accum Units)	6	435.8	435.8	466.6	-1.7	0.00
Mandarin Tst	6	63.92	63.98	68.43	-0.33	1.72
(Accum Units)	6	64.45	64.51	68.99	-0.33	1.72
Mngd P'folio Acc	6	72.09	72.85	77.91	+0.5	1.95
Money Market UT	4	49.57	49.57	51.55	+0.02	10.85
North American	6	129.0	131.0	140.1	-0.10	0.92
(Accum Units)	6	159.3	161.7	172.9	-0.20	0.92
Smaller Cos	6	158.9	161.6	172.8	+3.1	1.81
(Accum Units)	6	176.8	179.8	192.3	+3.4	1.81
Meridian Income	6	106.0	107.2xd	114.7	+0.30	3.88
(Accum Units)	6	110.8	112.1	119.9	+0.40	3.88
Meridian Growth	6	118.6	119.6	127.9	+0.40	2.14
Midland Personal Pension Unit Trust*						
British	6	58.70	59.51	63.31	+0.24	3.08
European Growth	6	64.29	64.37	68.48	-0.11	0.62
Gilt & Fixed	6	51.08	51.12	54.38	+0.10	9.90
Income	6	54.07	55.08	58.60	+0.21	4.39
Japan Growth	6	60.74	61.14	65.04	-0.25	0.00
Managed	6	56.85	57.75	61.44	+0.04	1.94
Money Market	6	54.54	54.54	57.81	+0.02	10.84
North American	6	60.30	61.54	65.47	-0.06	0.53
Midland FSAVCS Unit Trust*						
British	6	54.65	55.40	58.94	+0.23	3.32
European Growth	6	61.60	61.68	65.62	-0.11	0.63
Gilt & Fixed Int	6	49.64	49.68	52.85	+0.10	9.95
Income	6	54.41	55.42	58.96	+0.21	4.40
Japan Growth	6	62.014	62.41	66.39	-0.24	0.00
Managed	6	55.17	56.05	59.63	+0.04	1.97
Money Market	6	51.75	51.75	54.85	+0.02	10.94
North American	6	59.59	60.78	64.66	-0.06	0.54
Midland Executive Pension Unit Trust*						
British	6	55.95	56.73	60.35	+0.24	3.09

Providence Capital Fd Mgrs Ltd (1000)H
30 Uxbridge Road, London W12 8PG 01-749 9111

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Acc	5	129.8	129.8	139.0	-0.4	0.54
European Inc	5	125.4	125.4	134.3	-0.3	0.54
Japan Acc	5	130.4	130.4xd	139.7	+0.2	0.00
Japan Inc	5	130.1	130.1xd	139.3	+0.1	0.00
Nth American Acc	5	69.43	69.43	73.84	-0.17	1.40
Nth American Inc	5	66.55	66.55	70.77	-0.17	1.40
UK Equity Acc	5	80.78	80.78	86.93	+0.28	3.13
UK Equity Inc	5	73.25	73.25	78.84	+0.22	3.13
Worldwide Acc	5	112.5	112.5xd	120.0	+0.3	0.31
Worldwide Inc	5	107.6	107.6xd	115.0	+0.3	0.31
UK High Inc Eq Acc	5	77.18	77.18	83.09	+0.27	6.12
UK High Inc Eq Inc	5	67.92	67.92	73.64	+0.19	6.12
Hong Kong Acc	5	47.27	47.27	50.42	+0.91	2.81
Hong Kong Inc	5	45.12	45.12	48.13	+0.27	2.81
Swiss Equities Acc	5	40.05	40.05xd	43.02	+0.05	1.07
Swiss Equities Inc	5	39.32	39.32xd	42.23	+0.04	1.07
W'wide Bond Acc	5	55.46	55.46xd	58.49	-0.11	5.81
W'wide Bond Inc	5	52.76	52.76xd	55.64	-0.10	5.81
Emerging Asia Acc	5	94.50	94.50	101.2	—	0.00
Emerging Asia Inc	5	94.50	94.50	101.2	—	0.00
UK Money Mkt Acc	0	50.74	50.74	50.74	+0.04	14.00
UK Money Mkt Inc	0	50.74	50.74	50.74	+0.04	14.00
Thailand Inc	5	44.96	44.96	47.80	+0.28	0.65
Thailand Acc	5	44.96	44.96	47.80	+0.28	0.65

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	113.9	113.9	121.1	+0.2	2.85
PM Income & Gth	5	93.57	93.57	99.54	+0.11	4.59
PM Nth Amer Gth	5	61.82	61.82	65.76	—	1.15
PM European Gth	5	60.68	60.68	64.55	-0.14	0.69
PM Japan Gth	5	83.33	83.33	88.64	-0.18	0.26
PM Overseas Gth	5	57.21	57.21	60.86	+0.09	0.43

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GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ‡ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; # - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	5	16.22	16.22	17.25	+0.20	0.00
Pacific Basin	5	30.51	30.51	32.45	.....	0.60
Can Balncd Gwth §	5	51.51	51.51	54.79	+0.14	0.10
Ginnie Mae §	4	0.9721	0.9721	1.0126	-0.17	7.72
Penny Share	5¼	28.41	28.41	30.22	+0.40	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	132.8	132.8xd	142.9	+0.3	5.18
Wellington Growth	5¼	218.0	220.0xd	234.0	-0.1	1.31
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	105.9	109.8	114.3	+0.3	3.04
Whittingdale Unit Tst Mngmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3232						
Challenger § F	2¼	60.23	60.23	61.60	+0.07	0.27
Short Dtd Gilt § F	1½	81.43	81.43	82.52	+0.12	6.89
U.S. Govmt Bond § F	1½	5.5739	.5739	.5815	.....	0.00
Willbro Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust Friars W'wide	5	187.7	190.7	202.8	.....	2.60
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	58.16	61.49	65.41	+0.7	7.23
European	5	74.12	74.53	79.29	+0.39	0.10
Far Eastern	5	64.77	68.89	73.28	+0.39	0.60
Growth Inc	5	77.43	81.03xd	86.20	+0.40	1.56
Growth Acc	5	77.51	81.11xd	86.28	+0.41	1.56
Income Inc	5	74.35	77.09xd	82.00	+0.29	5.18
Income Acc	5	74.46	77.19xd	82.11	+0.38	5.17
Property Share	5	48.15	48.15	51.32	+0.63	1.10
Smaller Co's	5	49.81	49.81xd	53.09	+0.93	1.78
Nth American	5	63.64	63.64	68.05	+0.82	1.62
International	5	49.92	49.92	52.85	+0.46	1.41
Asset Value	5	156.09	155.09	165.86	+0.65	4.43
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	109.58	109.58	115.05	.....	1.08
UK Growth	5	90.01	90.01	94.74	.....	3.17
UK Income	5	93.33	93.33	98.24	.....	4.58
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	56.20	56.20	62.14	+0.20	2.90
YUTM UK Eqty Inc Tr	5¼	55.77	55.77xd	61.13	+0.31	4.90
YUTM Intl Gwth Tst	5¼	56.45	56.45xd	60.25	+0.22	0.74

	Bid Price	Offer Price	+ or -
Albany Life Assurance Co Ltd—Contd.			
European Fd Acc(z)	265.3	279.4	-0.2
Intl Fxd Int Fd Acc(z)	209.9	220.9	+0.4
Fixed Int Acc(z)	346.9	365.1	+0.1
Gtd Money Fd Acc(z)	241.5	254.1	+0.2
High Income Fd Acc(z)	114.5	120.4	+0.3
Intl Man Fd Acc(z)	426.4	448.8	+0.2
Japan Fd(z)	314.6	331.1	+1.2
UK Smllr Co's Fd Acc(z)	112.5	118.3	+0.5
Europlus Metro	119.0	125.3	+0.4
Global Metro	107.5	113.1	+0.2
Sunrise Metro	123.4	129.8	+0.3
UK Metro	107.7	113.3	+0.1
Nth American Fd Acc(z)	212.0	223.1	+0.5
Pac Basin Fd Acc(z)	160.2	168.6	+0.3
Prop Fd Acc(z)	352.7	371.3	+0.1
Millennium	95.6	100.6	+0.5
Multiple Inv Acc(z)	716.5	754.2	+1.9
Pension Funds			
Brit. Blue Chip Acc(z)	150.5	158.4	+0.8
Eq Pen Fd Acc(z)	1972.6	2076.3	+13.5
Euro Fd Acc(z)	360.3	379.2	-0.4
Fixed Int. Acc. (z)	718.7	756.5	+0.2
Gt Money Pn Acc(z)	442.1	465.3	+0.5
High Interest	149.9	157.7	+0.3
High Income Fd Acc(z)	120.5	126.8	+0.5
Intl Man Fd(z)	665.4	699.8	+0.5
Jap Pen Fd Acc(z)	451.6	475.3	+2.4
UK Smllr Co's Fd Acc(z)	116.9	123.0	+0.4
Europlus Metro	131.5	138.3	+0.6
Global Metro	113.9	119.8	+0.3
Sunrise Metro	137.8	145.1	+0.6
UK Metro	114.1	120.0	
N Am Pn Fd Acc(z)	266.8	280.8	+0.9
Pac Basin Fd Acc(z)	191.2	201.2	+0.5
Property(z)	625.3	658.3	+0.3
Mltple Inv Pens Acc(z)	1456.0	1532.5	+5.4
Broker Funds			
Prof. Pen. Fd	96.9	102.0	+0.5
YRA Strategy	125.4	132.0	+0.2
YRA Performance	108.1	113.7	+0.2
Laughton Dollar (SE)	141.0	148.4	+0.2
Allied Dunbar Assurance Plc			
Allied Dunbar Ctr, Swindon SN1 1EL			
Fixed Int. Dep. Acc.	268.3	282.5	+0.2
Equity Acc	872.2	918.2	+2.8
Property Acc	515.4	542.6	+0.1
Far East Acc	228.6	252.3	+0.4
European Acc	24.6	25.9	
Managed Acc	687.4	723.6	+1.8

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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	Bid Price	Offer Price	+ or −	Yield Gross
Premium Life Assurance Co Ltd				
37–39, Perrymount Road, Haywards Heath 0444 458721				
Americas	125.0	132.0	−1.0	−
Building Soc. Fd	176.0	186.0	----	−
Balanced	279.0	294.0	----	−
European	189.0	199.0	−1.0	−
GT Managed	187.0	197.0	----	−
Gartmore Mngd	127.0	134.0	----	−
German	144.0	152.0	----	−
Gilt	176.0	186.0	----	−
Global	49.0	52.0	----	−
High Inc	108.0	114.0	----	−
International Equity	195.0	206.0	----	−
Japan	272.0	287.0	+1.0	−
Managed	57.0	60.0	----	−
Property	294.0	310.0	----	−
R. W. Imperial Gold	148.0	156.0	----	−
UK Equity	332.0	350.0	+1.0	−
Pension Funds				
American	155.0	164.0	----	−
Building Soc. Fd	179.0	189.0	----	−
Balanced	218.0	230.0	----	−
European	191.0	202.0	----	−
German	126.0	133.0	----	−
Gilt	153.0	162.0	----	−
International Equity	143.0	151.0	----	−
Japan	148.0	156.0	----	−
Managed	62.0	66.0	----	−
Property	225.0	237.0	----	−
UK Equity	306.0	323.0	----	−
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	93.27	98.61	----	−
Pensions Cash Fund	80.93	80.98	----	−

	Bid Price	Offer Price	+ or −	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
International Money	209.3	220.4	+0.3	−
North American	80.5	84.8	+0.1	−
Japanese	159.1	167.5	+1.2	−
European	107.6	113.3	−0.1	−
Special Situations	109.4	115.2	+0.8	−
Communications	103.3	108.8	−0.2	−
Smaller Companies	103.6	109.1	+0.4	−
International Small Cos	144.1	151.7	+0.2	−
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Oct 11	£168.36	170.61	----	−
Equity Oct 11	£175.82	182.26	----	−
International Oct 11	£30.19	30.86	----	−
Intl Bond Oct 11	£12.88	13.05	----	−
Fixed Int Oct 11	£73.27	74.08	----	−
Index Linked Oct 11	£62.51	63.28	----	−
Property Oct 11	£116.37	123.22	----	−
Cash Oct 11	£21.7821	21.7821	----	−
Pru-Linked Retirement Plan				
Managed Oct 17	376.3	392.0	----	−
Cash Oct 17	205.0	213.6	----	−
Prudential Pensions Investment Account				
Pens Mngd Oct 23	152.6	164.2	+0.2	−
Pens UK Eq Oct 23	280.7	302.7	−0.6	−
Pens Intl Oct 23	194.7	209.7	+1.7	−
Pens Fixed Oct 23	169.0	178.5	−0.1	−
Pens Index Lk Oct 23	159.3	168.5	+0.1	−
Pens Cash Oct 23	133.8	141.0	----	−
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflo Fd	119.1	125.3	----	−
Balanced Ptflo Fd	310.6	326.9	----	−

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Rothschild Asset Management—Contd.						
OCCFL S$			[illegible]	90.572	[illegible]	4.22
OCCFL Pta			[illegible]	2119.2	+0.71	13.28
OCCFL SKr			[illegible]	104.98	[illegible]	10.85
OCCFL SwFr			[illegible]	30.894	[illegible]	6.66
OCCFL U.S.$			15.609	15.609	[illegible]	8.04
OCCFL Yen			[illegible]	3566.95	[illegible]	5.12
OCCFL Man £	3		10.866	10.866	11.202	13.11
Daily Dealings						
Royal Bank of Canada Funds						
RBC Offshore Fund Managers Ltd.						

		Bid Price	Offer Price	+ or −	Yield Gross
Wardley Investment Services—Contd.					
Canada Equity	$	9.69	10.29	[illegible]	−
Europe Equity	$	10.99	11.25	+0.01	−
Hong Kong Equity	$	9.44	10.03	+0.17	−
Japan Equity	$	12.28	13.04	−0.06	−
Singapore & Malaysia	$	12.88	13.67	+0.17	−
UK Equity	$	8.72	9.26	[illegible]	−
USA Equity	$	9.34	9.91	[illegible]	−
Intl Managed Bond	$	10.26	10.84	----	−
Sterling Bond	£	4.41	4.67	[illegible]	−
US Dollar Bond	$	9.42	9.94	−0.01	−

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100	98[illegible]	Exch 10¼pcCv '89	100xd	.....	–	–
101[illegible]	99[illegible]	Treas 13pc 1990‡‡	99[illegible]	.....	13.06	14.38
132[illegible]	124	Treas 2pc IL '90(84.6)	132[illegible]	+[illegible]	2.09	9.98
99[illegible]	98[illegible]	Exch 11pc 1990‡‡	99	.....	11.10	13.76
101[illegible]	99[illegible]	Exch. 12½pc 1990	99[illegible]	.....	12.58	14.09
95[illegible]	91[illegible]	Treas. 3pc 1990	95[illegible]xd	.....	3.15	11.31
97¼	95[illegible]	Treas 8¼pc 1987–90‡‡	96[illegible]	+[illegible]	8.52	13.45
98[illegible]	95¼	Treas. 8pc Cv 1990 ‡‡	96[illegible]	+[illegible]	8.30	13.26
98[illegible]	96[illegible]	Treas. 10pcCv 1990	97xd	+[illegible]	10.31	13.30
93[illegible]	87[illegible]	Exch 2½pc 1990	92[illegible]xd	.....	2.70	9.74
101[illegible]	98[illegible]	Treas 11¾pc 1991	98[illegible]	.....	11.91	12.93
93¾	89¾	Funding 5¾pc '87–91‡‡	92[illegible]	–[illegible]	6.21	11.48
90[illegible]	86[illegible]	Treas. 3pc 1991	90¼xd	+[illegible]	3.93	10.05
100[illegible]	95[illegible]	Treas 10pc Cv '91 ‡‡	96[illegible]	.....	10.37	12.36
101[illegible]	96[illegible]	Exch. 11pc 1991	97[illegible]xd	+[illegible]	11.25	12.30
94[illegible]	91[illegible]	Treas. 8pc 1991	92[illegible]	+[illegible]	8.68	12.28
106[illegible]	100[illegible]	Treas 12¾pc 1992‡‡	101[illegible]	+[illegible]	12.52	11.74
99½	95[illegible]	Treas 10pc 1992	96[illegible]	+[illegible]	10.38	11.82
94[illegible]	90[illegible]	Treas. 8pc 1992 ‡‡	91[illegible]	+[illegible]	8.70	11.82
100¾	96[illegible]	Treas 10½pc Cv 1992‡‡	97[illegible]xd	+[illegible]	10.77	11.66
85[illegible]	82¼	Treas. 3pc 1992	84[illegible]	+[illegible]	3.56	9.94
105[illegible]	100[illegible]	Exch. 12¼pc '92	101[illegible]	+[illegible]	12.09	11.65
109¾	103[illegible]	Exch 13½pc 1992	104[illegible]	+[illegible]	12.89	11.51
94[illegible]	90[illegible]	Treas 8¼pc 1993	91[illegible]	+[illegible]	9.02	11.36
100[illegible]	95[illegible]	Treas 10pc 1993‡‡	96[illegible]	+[illegible]	10.36	11.24
108¼	102[illegible]	Treas 12½pc 1993‡‡	103[illegible]	+[illegible]	12.06	11.23
88[illegible]	84[illegible]	Funding 6pc 1993‡‡	86[illegible]	–[illegible]	6.91	10.18
119¾	107[illegible]	Treas 13¾pc 1993‡‡	108[illegible]xd	+[illegible]	12.68	11.13
94[illegible]	89¼	Treas. 8½pc 1994	91[illegible]	+[illegible]	9.32	11.12
117[illegible]	111[illegible]	Treas 14½pc 1994‡‡	112[illegible]	+[illegible]	12.94	10.94
113[illegible]	107[illegible]	Exch 13½pc 1994	108[illegible]xd	+[illegible]	12.46	11.09
100¾	95[illegible]	Treas. 10pc Ln. 1994‡‡	96[illegible]	+[illegible]	10.35	10.92
110¼	104[illegible]	Exch. 12½pc 1994	105[illegible]	+[illegible]	11.89	11.08

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

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FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39⅛	18¼	Gillette $1	28¾	+⅛	96c	–	2.1
987p	601p	Gt American Bank Bk $1	637p	+2	20c	–	2.0
23⅞	16	Greyhound $1½	20	+¼	$1.32	–	4.2
14¾	847p	Hasbro Inc 50c	14⅛	+⅛	16c	–	0.7
57½	32¼	Honeywell $1½	50	–⅞	$2.10	–	2.6
22⅝	15¼	Houston Inds.	21⅝	+⅛	$2.96	–	8.7
76	62	IBM Corpn $1¼	65	+⅛	$4.84	–	4.7
60p	45p	Image Storage/R.Srs.1c	52p	+2	–	–	–
32⅛	18¼	Ingersoll-Rand $2	28⅞	.....	$1.20	–	2.6
33¾	22½	Lockheed Crpn. $1	27⅞	–½	$1.80	–	4.1
22⅝	15	Lone Star Inds $1	17	–⅞	$1.90	–	6.8
27⅞	17½	Louisiana Land 15c	24½	+⅛	$1.00	–	2.6
20½	11½	Lowe's 50c	19	+⅛	48c	–	1.6
28	15	Manuf. Hanover $1	25½	–⅛	$3.28	–	8.2
22⅝	13	Merrill Lynch $1	18⅞	+⅛	$1.00	–	3.4
2477p	1910p	Molex Inc	2387p	–22	3.2c	–	–
30¾	18⅛	Morgan (JP) $2½	27¼	+¼	$1.66	–	3.9
28	24⅛	Morris (Philip)	27	+⅛	$1.13	–	2.5
54½	36⅛	NYNEX $1	50¾	–⅛	$4.36	–	5.5
44p	20p	N'wide Legal Serv.	25p	–2	–	–	–
24⅞	18¼	PHH Corp.	22½	–⅛	$1.12	–	3.1
259p	179p	Pacific Agr.	195p	.....	–	–	–
27¼	19	Pacificorp $3¼	26¼	+⅛	$2.76	–	6.4
30¼	16⅞	Pacific Telesis 10c	28¼	+⅛	$1.88	–	4.1
22⅞	15¼	Pall Corp. 25c	21½	+¼	48c	–	1.4
55⅝	39	Pennzoil 83 1/3c	49⅞	–¼	$3.00	–	3.8
42¼	28	Quaker Oats $5	39½	+⅛	$1.20	–	1.9

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

Finance, Land, etc

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
[illegible] Doorars £1	1350	.....	11.0	2.6	1.1
[illegible] Grp. £1	£28¼	.....	45.0	1.1	2.1
[illegible] 10p	188	.....	F3.0	1.0	2.1
[illegible]iamson £1	1600	.....	20.0	1.9	1.7

MINES

Central Rand

Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
[illegible] Deep R1	126	+1	–	–	–
[illegible] Rand Prp. R1	141	–1	–	–	–
[illegible] Cons. 50c	27	.....	±Q15c	1.3	‡
[illegible] Est. R2	£31⅛	–⅛	Q1300c	2.6	9.5
[illegible] & Jack 2c	20	.....	–	–	–
[illegible] Rand R1	63	.....	–	–	–

Eastern Rand

Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
[illegible] 90c	48	+1	Q40c	♦	26.1
[illegible] Dagga R1	243	–2	Q120c	0.9	11.2
[illegible] Tms. Cn. 50c	£12	.....	Q415c	2.7	8.4
[illegible] 50c	185	.....	Q115c	1.9	14.2
[illegible] 25c	57	.....	±Q70c	1.4	‡
[illegible] R1	784	+1	Q300c	♦	9.0
[illegible] 65c	77	.....	Q55c	♦	17.8
[illegible] B Gold Hldgs.	4	.....	–	–	–
[illegible] 25c	31	.....	–	–	–
[illegible] Gold	6	.....	–	–	–
[illegible] Ld. 35c	40	.....	Q60c	♦	34.2
[illegible] 20c	31	.....	–	–	–
[illegible] R1	£11¼	–⅞	Q315c	♦	6.6
[illegible] Nigel 25c	18	.....	–	–	–

Far West Rand

Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
[illegible] 25c	158	+2	Q35c	3.8	5.0
[illegible] R1	754	–2	†Q585c	1.8	17.7
[illegible] 20c	197	.....	Q80c	2.1	9.2
[illegible] 25c	68	.....	Q15c	3.7	5.0
[illegible] 50c	672	–8	Q200c	1.5	6.8
[illegible] Gld. 20c	409	–1	Q95c	1.6	5.4
[illegible] R1	47	.....	Q10.4c	1.0	5.0
[illegible] 10c	424	–1	†Q153c	1.4	8.5
[illegible] Gold 25c	577	–8	Q125c	3.0	4.9
[illegible] 20c	93	.....	Q40c	1.9	9.8
[illegible] 50c	£19⅝	–⅛	Q710c	1.0	8.2
[illegible] 50c	197	+2	†Q150c	1.1	13.3
[illegible] Reefs 50c	£47½	–1	Q1900c	1.7	9.1
[illegible] 25c	75	.....	Q60c	1.1	18.2
[illegible] Areas R1	72	.....	–	–	–
[illegible] Deep R2	£20	–⅛	Q500c	2.5	5.7
[illegible] 10c	73	.....	Q30.3c	1.0	9.5

O.F.S.

Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
[illegible] Mines	265	.....	†Q68c	1.0	5.8
[illegible] Cons. Gold 50c	507	–3	±Q310c	2.4	‡
[illegible] State Dev. 10c	108	.....	–	–	–
[illegible] 50c	303	–2	Q145c	1.7	10.9
[illegible] (H.J.) Gold 1c	125	.....	–	–	–
[illegible] R1	146	.....	Q25c	9.1	4.0
[illegible] R1	428	–2	†Q305c	2.3	16.2
[illegible]	295	.....	Q105c	♦	8.4

Diamond and Platinum

Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
[illegible] Am. Inv. 50c	£141	.....	Q1600c	1.0	2.6
[illegible] Df 5c	825	–10	†Q200c	2.8	5.6
[illegible] 40pc Pf. R5	312	.....	Q200c	‡	14.8
[illegible] Plat. 20c	750	+20	Q250c	3.3	7.9

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1989 High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's	P/E
[illegible]								
39	20	Sleepy Kids 5p	27	.....	–	–	–	–
*17½	5½	Staks Hldgs. 5p	7½xr	.....	–	–	–	13.0
*3¼	1¼	Swanyard Studios 1p	1¼	.....	–	–	–	8.4
11	3	Systems Connection 2½p	3	.....	–	–	–	3.9
50	28	Tavern Leis. 20p	41	.....	–	–	–	–
115	28	Tomorrows Leisure 20p	82	+3	–	–	–	40.8
		For Tullow Oil see Oils & Gas						
113	60	UPL Group 10p	65	.....	2.75	1.9	5.6	12.3
150	131	Unit Group	131	.....	5.0	3.3	5.1	7.5
100	66	Video Magic Leis. 1p	82	.....	W2.0	0.7	3.3	65.7
14	4½	Vista Ents 5p	6½	.....	–	–	–	–
40	21	Vizcaya Hldgs 5p	25	.....	–	–	–	–
46½	23	Whitegate Leisure 20p	40	–½	–	–	–	–
32½	10	Do. Wrrnts	29	.....	–	–	–	–
10¼	5	Wilton Group 1p	6	.....	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ❉ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	88xd	.....
Craig & Rose £1 γ	830	.....
Finlay Pkg. 5p γ	67	.....
Holt (Jos) 25p γ	1343xd	.....

IRISH

Cap. 8½% Ln. 1991	£97	–½
9pc Cap Ln. 1996	£97¾	–⅝
Fin. 13% 97/02	£117¾	–1⅛
Arnotts	410	.....
Carrol (P.J.) γ	145	–3
Hall (R. & H.)	170	.....
Helton Hldgs. γ	93	+3
IRG	230	–3
United Drug	140	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp.	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord.	18
Cadburys	46
Charter Cons.	48
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd.	60
ICI	108
Jaguar	28
Ladbroke	28
Legal & Gen.	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk.	38
Morgan Grenfell	24
Nat West Bk.	25
P & O Dfd.	55
Plessey	22
Polly Peck	26
Racal Elect.	20
RHM	42
Rank Org Ord.	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property	
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils	
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines	
Cons Gold	150
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound up ahead of trade data

STERLING MET with demand yesterday in the absence of enthusiasm about any of the other major currencies. Foreign exchange trading was quiet with the dollar lacking fresh factors and the market believing that the pound is the most likely currency to show any significant movement in the immediate future. An easing of the D-Mark also helped sterling.

The pound's improvement was fragile, based on speculation that today's UK trade figures for September will indicate the start of an improving trend after several months of disappointingly high deficits. The current account payments shortfall was £2bn in August, and the market is looking for an improvement to about £1.5bn to £1.6bn, but without too much conviction.

The view among analysts is that the trade data are very difficult to forecast on a monthly basis and this is reflected in the wide range of estimates from £1.2bn to £1.9bn for the current account deficit.

Demand for the pound yesterday was largely speculative, based on the consideration that good trade figures are long overdue. Sterling moved up 65 points to $1.5950. It also advanced to DM2.9575 from DM2.9450; to Y227.00 from Y226.00; to SFr2.5925 from SFr2.5825; and to FFr10.0475 from FFr10.0075. According to the Bank of England the pound's index rose 0.3 to 89.7.

The dollar's close in Europe was set in the middle of a very narrow range. The currency lacked fresh factors; demand from Japanese institutional investors provided underlying support, but this was offset by speculation about an easing of the Federal Reserve's monetary stance.

Dealers are waiting for Thursday's preliminary figure on US third-quarter Gross National Product growth for indications on whether the US economy has slowed sufficiently to allow a cut in interest rates. Second quarter growth was 2.5 per cent and forecasts for the third quarter range from 2.2 per cent to 2.7 per cent, with the median estimate at 2.4 per cent, according to a survey by Money Market Services.

In very quiet trading the dollar rose to DM1.8550 from DM1.8540, but eased to Y142.30 from Y142.35, while closing unchanged at SFr1.6250 and FFr6.3000. On Bank of England figures the dollar's index was unchanged at 69.8.

Trading within the European Monetary System was calmer, with the Danish krone and the Italian lira improving against the D-Mark.

An easing of pressure within the EMS was helped by news of Bundesbank action to provide liquidity directly to the West German banking system. The central bank made a similar move on Friday in an apparent attempt to prevent call money remaining close to the 8 per cent Lombard emergency financing rate. Call money remained at 7.90 per cent yesterday, however, and dealers believe the Bundesbank may inject extra funds.

£ IN NEW YORK

Oct.23	Latest	Previous Close
£ Spot	1.5970-1.5980	1.5885-1.5895
1 month	0.84-0.83pm	0.85-0.84pm
3 months	2.39-2.36pm	2.47-2.45pm
12 months	8.38-8.28pm	8.60-8.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.23	Previous
8.30 am	89.6	89.5
9.00 am	89.5	89.7
10.00 am	89.5	89.4
11.00 am	89.5	89.4
Noon	89.5	89.4
1.00 pm	89.5	89.4
2.00 pm	89.6	89.5
3.00 pm	89.7	89.5
4.00 pm	89.7	89.4

CURRENCY RATES

Oct.23	Bank rate %	Special* Drawing Rights	European † Currency Unit
[illegible]			

§ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Oct.20

CURRENCY MOVEMENTS

Oct.23	Bank of England Index	Morgan* Guaranty Changes %
Sterling	89.7	-21.6
U.S. Dollar	69.8	-8.3
Canadian Dollar	105.0	+1.6
Austrian Schilling	107.7	+10.7
Belgian Franc	106.9	-5.3
Danish Kroner	105.0	-0.1
Deutsche Mark	115.0	+22.3
Swiss Franc	107.2	+16.0
Guilder	111.6	+14.4
French Franc	100.7	-14.4
Lira	98.9	-19.4
Yen	137.0	+67.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Oct.20.

OTHER CURRENCIES

Oct.23	£	$
[illegible]		

*Selling rate

EURO-CURRENCY INTEREST RATES

Oct.23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]						

Long term Eurodollars: two years 8⅛-8⅞ per cent; three years 8⅞-8⅞ per cent; four years 8⅞-8⅞ per cent; five years 8⅞-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Oct.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc 62.30-62.40. Six-month forward dollar 4.71-4.66cpm. 12 Month 8.57-8.47cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 59.85-59.95.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1712	+1.68	+1.14	±1.5424
Danish Krone	7.85212	8.00071	+1.89	+1.35	±1.6419
German D-Mark	2.05853	2.05440	-0.20	-0.74	±1.1019
French Franc	6.90403	6.97695	+1.06	+0.51	±1.3719
Dutch Guilder	2.31943	2.32020	+0.03	-0.51	±1.5019
Irish Punt	0.768411	0.771740	+0.43	-0.11	±1.6689
Italian Lira	1483.58	1508.85	+1.70	+1.62	±4.0815
Spanish Peseta	133.804	131.021	-2.08	-2.04	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Oct.23	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

LIFFE £/$ OPTIONS £25,000 (cents per £1)

LIFFE EURODOLLAR OPTIONS $1m points of 100%

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

[illegible]					

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

DEUTSCHE MARK (IMM) DM125,000 $ per DM

U.S. TREASURY BILLS (IMM) $1m points of 100%

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

SWISS FRANC (IMM) SFr 125,000 $ per SFr

STANDARD & POORS 500 INDEX $500 times index

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Previous day's open int. Calls 305,983 Puts 267,468 (All currencies)
Previous day's volume: Calls 11,210 Puts 9,097 (All currencies)

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

US TREASURY BONDS 8% $100,000 32nds of 100%

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

THREE MONTH STERLING £500,000 points of 100%

THREE MONTH EURODOLLAR $1m points of 100%

THREE MONTH EUROMARK DM 1m points of 100%

FT-SE 100 INDEX £25 per full index point

POUND-$ (FOREIGN EXCHANGE)

ECU-STERLING Ecu per £

[illegible]					

EUROPEAN OPTIONS EXCHANGE

Series								Stock
[illegible]								

TOTAL VOLUME IN CONTRACTS : 43,948
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

London rates firm

THERE WAS a slightly firmer tone to interest rates on the London money market yesterday as the Bank of England continued to keep very short term rates high. Another large shortage of day-to-day credit was again not fully absorbed by the authorities, leaving overnight interbank hovering around 15¼-15 per cent for most of the day.

UK clearing bank base lending rate 15 per cent from October 5

This coupled with nervousness ahead of today's September UK trade figures moved fixed period rates up a little. Three-month sterling interbank rose to 15⅛-15$\frac{1}{16}$ per cent from 15$\frac{3}{32}$-15$\frac{1}{32}$ per cent.

On Liffe the volume of trading in short sterling futures was light, but a strong performance by the pound on the foreign exchanges helped the contract finish towards the top of yesterday's trading range. December delivery touched a peak of 85.48 and closed at 85.46 compared with 85.43 on Friday.

The Bank of England forecast a money market credit shortage of £900m pounds, but kept conditions tight by providing help of only £825m. An early round of help was offered, and at that time the authorities bought £124m bills by way of £25m bank bills in band 1 at 14⅞ per cent; £83m Treasury bills in band 2 at 14¾ per cent; and £16m bank bills in band 2 at 14¾ per cent. In further operations before lunch, the Bank of England purchased £491m bills, via £211m bank bills in band 1 at 14⅞ per cent, and £280m bank bills in band 2 at 14¾ per cent.

In the afternoon the authorities bought £160m bills, through £114m bank bills in band 1 at 14⅞ per cent, and £46m bank bills in band 2 at 14¾ per cent. Late assistance of around £50m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £1,113m, with Exchequer transactions absorbing £240m, and bank balances below target £5m. These outweighed a fall in the note circulation adding £450m to liquidity.

In New York the Federal Reserve carried out its expected action to drain liquidity from the banking system via three-day matched sale and repurchase agreements when Federal funds were trading at 8¾ per cent.

In Paris the Bank of France left its money market intervention rate at 9¼ per cent at yesterday's securities repurchase tender, and also added a net FFr12.9bn in extra liquidity. The central bank accepted bids of FFr72.7bn at the tender, against an expiring agreement of $59.8bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.23)	3 months US dollars		6 months US Dollars	
	bid 8⅝	offer 8¾	bid 8⅝	offer 8⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10½	One month	7.52
Broker loan rate	10¼	Two month	7.65
Fed.funds	8¾	Three month	7.84
Fed.funds at intervention	8¾	Six month	8.00
		One year	7.75
		Two year	7.79
		Three year	7.92
		Four year	7.91
		Five year	7.93
		10-year	7.96
		30-year	7.96

Oct.23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]					
Paris						
Zurich						
Amsterdam						
Tokyo						
Milan						
Brussels						
Dublin						

LONDON MONEY RATES

Oct 23	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]					
Interbank Bid						
Sterling CDs						
Local Authority Deps.						
Local Authority Bonds						
Discount Mkt Deps.						
Company Deposits						
Finance House Deposits						
Treasury Bills (Buy)						
Bank Bills (Buy)						
Fine Trade Bills (Buy)						
Dollar CDs						
SDR Linked Dep. Offer						
SDR Linked Dep. Bid						
ECU Linked Dep. Offer						
ECU Linked Dep. Bid						

Treasury Bills (sell); one-month 14⅞ per cent; three months 14½ per cent; Bank Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent. Treasury Bills; Average tender rate of discount 14.4590 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 29, 1989. Agreed rates for period October 25, 1989 to November 25, 1989. Scheme I: 14.82 p.c., Schemes II & III: 15.07 p.c. Reference rate for period Sept 1, 1989 to Sept 29, 1989. Scheme IV&V: 14.018 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from October 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10¼ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-12 months 12 per cent; Under £100,000 10¼ per cent from May 25, 1989. Deposits withdrawn for cash 5 per cent.

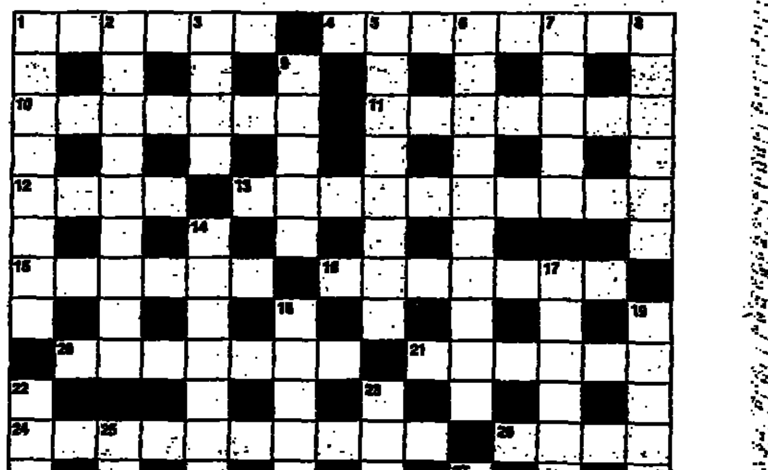
BASE LENDING RATES

	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	15	Comm. Bk. N. East	15	Northern Bank Ltd	15
Allied Trust Bank	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	15
Associates Cap Corp	15	Duncan Lawrie	15	R. Raphael & Sons	15
Authority Bank	15	Equatorial Bank plc	15	Roxburghe Guarantee	15½
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	First Nat. Bank Plc	15	● Smith & Williamson Secs	15
Bank Hapoalim	15	● Robert Fleming & Co	15	Standard Chartered	15
Bank Leumi (UK)	15	Robert Fraser & Ptrs	15½	TSB	15
Bank of Cyprus	15	Girobank	15	United Bk of Kuwait	15
Bank of Ireland	15	● Guinness Mahon	15	United Mizrahi Bank	15
Bank of India	15	HFC Bank plc	15½	Unity Trust Bank Plc	15
Bank of Scotland	15	● Hambros Bank	15	Western Trust	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Westpac Bank Corp	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Whiteaway Laidlaw	15½
Benchmark Bank PLC	15½	● Hill Samuel	§15	Yorkshire Bank	15
Brit Bk of Mid East	15	C. Hoare & Co	§15		
● Brown Shipley	15	Hongkong & Shangh	15	● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.5%. Top Tier-£10,000+ instant access 12.8% § Mortgage base rate. § Demand deposit 9%. Mortgage 14.25% - 15%	
Business Mtge Bank PLC	15½	● Leopold Joseph & Sons	15		
CL Bank Nederland	15	Lloyds Bank	15		
● Charterhouse Bank	15	Meghraj Bank Ltd	15		
Citibank NA	15	Midland Bank	15		
City Merchants Bank	15	● Morgan Grenfell	15		
		Mount Credit Corp	15		
		Nat Bk. of Kuwait	15		

JOTTER PAD

CROSSWORD

No.7,071 Set by QUARK



Clues marked * consist of two definitions. One leads to a word which when acted upon by 13 gives the other, which is to be entered in the diagram.

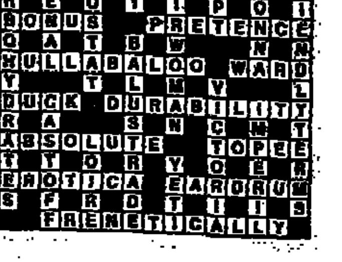
ACROSS

*1 Summons for a kind of traveller (6)
*4 Drawn in to become uplifted (8)
10 Fulmar about to fly in part as a stork (7)
11 Passage for the flute (7)
*12 Settle longer than the truth does, they say (4)
13 Get cracking! (4,2,4)
15 Soprano mostly with note is back as a symbol (6)
16 Manage to get a crop in this town? (7)
20 Although submissive, elver is wriggling (7)
*21 Discriminating caption (6)
24 When changing sect to it I'm concerned with rituals (10)
*26 Robber gang (4)
28 Number one part is disgusting (7)
29 An actor, I will go into musical (7)
30 Do? (8)
*31 Plant eaten at speed? (6)

DOWN

*1 Makes up compounds (8)
2 One that goes round playing (9)
*3 Curved paths for spheres (4)
5 At the end of celebration, carouse, dancing, coming out of shell? (8)
6 Impressionable gullible person well disposed after drink? (7,3)
7 Owen error in coming back partly to start again? (5)
8 Holds up shelves (6)
9 River (Russian river) in the country (5)
14 I don't want to take part in holiday encountered round university (5,2,3)
17 Use one trial experimentally to arrange as ceremony (9)
18 Could produce a beady artificial expression (5,3)
19 Paintings put up in unfit surroundings could yield early growth (4,4)
*22 Overcharges required for portraits? (6)
*23 What bat often uses for a caller (5)
*25 A rural division is the object (5)
*27 A limited number is great (4)

Solution to Puzzle No.7,070



WORLD STOCK MARKETS

AUSTRIA
October 23 — Sch. — + or −

[illegible]

BELGIUM/LUXEMBOURG
October 23 — Frs. — + or −

[illegible]

DENMARK
October 23 — Kr — + or −

[illegible]

FINLAND
October 23 — Mka — + or −

[illegible]

FRANCE
October 23 — Frs. — + or −

[illegible]

JAPAN
October 23 — Yen — + or −

[illegible]

FRANCE (continued)
October 23 — Frs. — + or −

[illegible]

GERMANY
October 23 — Dm. — + or −

[illegible]

GERMANY (continued)
October 23 — Dm. — + or −

[illegible]

ITALY
October 23 — Lire — + or −

[illegible]

ITALY (continued)
October 23 — Lire — + or −

[illegible]

NETHERLANDS
October 23 — Fls. — + or −

[illegible]

NORWAY
October 23 — Kroner — + or −

[illegible]

SPAIN
October 23 — Pts. % — + or −

[illegible]

AUSTRALIA
October 23 — Aust.$ — + or −

[illegible]

SWEDEN
October 23 — Kroner — + or −

[illegible]

SWITZERLAND
October 23 — Frs. — + or −

[illegible]

SOUTH AFRICA
October 23 — Rand — + or −

[illegible]

AUSTRALIA (continued)
October 23 — Aust.$ — + or −

[illegible]

HONG KONG
October 23 — H.K.$ — + or −

[illegible]

SINGAPORE
October 23 — S$ — + or −

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible] Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
2pm prices October 23

Sales — Stock — High — Low — Close — Chng

[illegible]

f—No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Oct 20	Oct 19	Oct 18	Oct 17	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2689.14	2683.20	2643.65	2638.73	2791.41 2 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	92.76	92.68	92.70	92.74	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1230.80	1263.51	1247.87	1254.27	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.48	215.42	213.97	214.54	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2703.07 (2707.58) Low 2660.25 (2650.61)

STANDARD AND POOR'S

	Oct 20	Oct 19	Oct 18	Oct 17	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	347.16	347.13	341.76	341.16	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	396.30	396.57	390.22	389.34	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	33.68	33.55	33.00	32.90	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	192.12	192.17	189.32	188.89	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	382.57	382.81	378.07	375.16	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	470.67	470.80	463.28	459.93	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct 13	Oct 6	Sep 29	year ago (approx.)
Dow Industrial Div. Yield	4.01	3.62	3.74	3.63
	Oct 18	Oct 11	Oct 4	year ago (approx.)
S & P Industrial div. yield	2.95	2.82	2.82	3.19
S & P Indl. P/E ratio	14.28	14.91	14.90	13.03

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Philip Morris	2,527,000	44⅜	− ⅛
AT&T	2,443,000	43⅝	+ ¼
Chevron	2,401,000	66⅞	+ ⅝
UAL	2,233,100	168½	−21⅝
Bristol Myers	2,148,400	52	− ¾
Global Mar	2,073,600	2¾	+ ⅛
IBM	1,931,500	104¼	+ ¾
Dun & Bradst	1,873,400	51⅛	− ¾
Citicorp	1,742,800	31⅞	− ¼
General Elect	1,721,100	56⅝	----

TRADING ACTIVITY

† Volume Millions	Oct 20	Oct 19	Oct 18
New York	164.805	198.120	166.900
Amex	10.638	14.584	12.355
NASDAQ	158.158	173.461	147.649
Issues Traded	1,948	1,950	1,934
Rises	662	1,222	811
Falls	809	342	662
Unchanged	477	386	461
New Highs	32	36	8
New Lows	28	18	33

CANADA

TORONTO	Oct 20	Oct 19	Oct 18	Oct 17	1989 HIGH	1989 LOW
Metals & Minerals	3542.70	3587.98	3551.33	3527.1	3919.2 (1/9)	3207.5 (3/1)
Composite	3954.79	3969.66	3929.51	3904.2	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2025.09	2034.55	2009.55	1997.39	2069.68(10/10)	1677.48 (3/1)

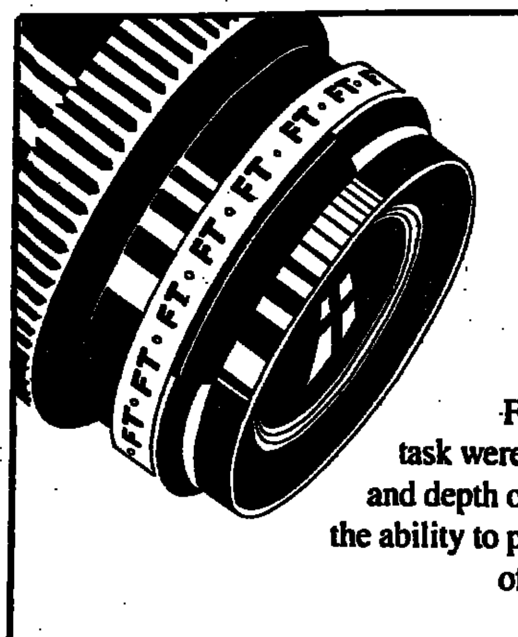
Base values of all Indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct 23	Oct. 20	Oct. 19	Oct. 18	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1668.1	1673.8	1655.9	1629.2	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	801.6	805.6	798.4	788.5	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	470.62	471.62	472.92	475.06	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6560.79	6555.74	6498.17	6368.67	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	341.65	342.08	334.61	328.83	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	669.3	673.2	673.6	670.8	815.8 (18/4)	666.0 (16/10)
FRANCE						
CAC General (31/12/82)	527.7	533.8	523.9	519.9	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	120.7	120.5	120.5	117.5	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	639.5	646.3	640.44	632.26	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1900.4	1900.8	1903.9	1878.7	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1523.22	1524.21	1526.60	1491.14	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2732.17	2703.95	2663.37	2628.55	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1739.38	1748.95	1744.78	1730.25	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	661.47	663.47	659.36	656.34	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35585.52	35486.38	35374.22	35107.56	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2687.53	2679.72	2665.66	2642.88	2703.58 (2/10)	2366.91 (6/1)
2nd Section (4/1/68)	3734.57	3717.46	3705.58	3689.86	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	260.0	258.3	260.5	256.2	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	199.9	198.6	200.3	197.0	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	649.93	651.75	648.94	635.37	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1283.89	1259.94	1214.18	1197.26	1288.62 (13/10)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1365.82	1345.60	1337.12	1310.22	1431.86 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1511.0§	1519.0	1542.0	1504.0	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	2516.0§	2513.0	2505.0	2467.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	891.30	903.29	909.54	917.19	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	314.55	314.83	310.35	308.73	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4326.06	4359.89	4347.31	4272.4	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	783.8	784.5	788.5	766.3	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	10108.24	10161.99	10092.45	9968.28	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	(c)	682.44	668.65	673.18	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	535.2	535.1	528.4	551.2 (3/8)	487.6 (13/6)

**Saturday Oct 21: Taiwan Weighted Price: 10130.36. Korea Comp Ex. 886.00.
§ Subject to official recalculation.
Base values of all Indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday October 23 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Tokyu	20.3m	2,380	+20	Nichirei	7.7m	1,620	+20
Fujita	14.1m	1,020	+30	Pioneer	7.2m	6,110	+90
Nippon F&M	12.9m	1,800	+50	Aoki	6.8m	1,480	+70
Nagoya Rail	8.4m	1,470	+8	Hitachi	6.8m	938	+8
Kawasaki Kisen	7.8m	970	+21	Fujisawa Phrm	6.8m	2,080	+80



3pm prices October 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37⅞	21¾	AAR	.48	1.3	23	161	37¼	36½	36½	-⅜
9⅝	8⅞	ACM n	1.01	11.		105	9⅛	9⅛	9⅛	-⅛
11⅝	10¼	ACMIn	1.26a	11.		359	11½	11⅜	11½	
10⅛	8	ACM M	n1.01	12.		522	8⅝	8½	8½	-⅛
11½	10	ACM Sc	1.26	11.		x529	11⅛	11⅛	11⅛	+⅛
9⅞	8⅞	ACMSp	1.01	11.		292	9⅛	9	9⅛	
18	11½	AL Lab	.12	.7	17	7	16⅛	16	16⅛	+⅛
4⅞	3⅛	AMCA	.12e	3.4	23	300	3½	3½	3½	-⅛
6⅞	4½	AM Intl			11	2885	5⅛	5	5⅛	-⅛
23½	20⅝	AM In pf	2	9.1		24	22	21⅞	22	-⅛
107¼	46½	AMR			8	7702	72⅞	70½	70⅞	
27	25	ANR pf	2.67	10.		2	26	26	26	
7⅞	3⅞	ARX				38	4⅛	4	4	
46⅞	37¼	ASA	3a	6.8		170	44⅞	44⅛	44⅛	-⅜
30¼	15¼	AVX	.24	.8	15	510	28⅝	28⅝	28⅝	-⅛
68½	44⅛	AbtLab	1.40	2.1	18	2090	67⅞	67	67½	+⅜
18¼	13⅛	Abitibi g	1			119	13⅛	13⅛	13⅛	-⅛
13	7½	AcmeC	.40	4.0		36	10⅛	10⅛	10⅛	-⅛
8⅞	5⅞	AcmeE	.32	3.8	10	12	8⅝	8½	8½	-⅛
38½	20¼	Acuson			28	169	36¼	35⅞	36¼	+⅛
17	14¼	AdaEx	1.82e	11.		105	16½	16⅜	16⅜	
12⅝	6½	Adobe				135	11½	11¼	11⅜	-⅜
19⅞	16½	Adob pf	1.84	9.8		6	18⅞	18⅝	18⅝	-⅜
21⅝	18⅞	Adob pf	2.40	12.		4	20¼	20⅛	20⅛	+⅛
10½	7⅛	AMD				1360	8⅞	8⅝	8⅞	+⅛
35	28¼	AMD pf	3	10.		49	30¼	29½	29½	-½
10⅞	6⅞	Advest	.12	1.5	14	16	8	7⅞	8	+⅛
60⅝	48	AetnLf	2.76	4.7	9	x2359	59⅞	58⅛	59⅛	-½
14	12⅞	AflPb				3810	13	12⅞	12⅞	-⅛
25	15⅛	Ahmans	.88	4.0	11	1665	22⅛	21⅞	21⅞	-⅛
4⅞	2⅛	Aileen				33	3	3	3	
48⅛	37⅛	AirPrd	1.32	2.8	12	888	46⅛	46⅛	45½	+⅛
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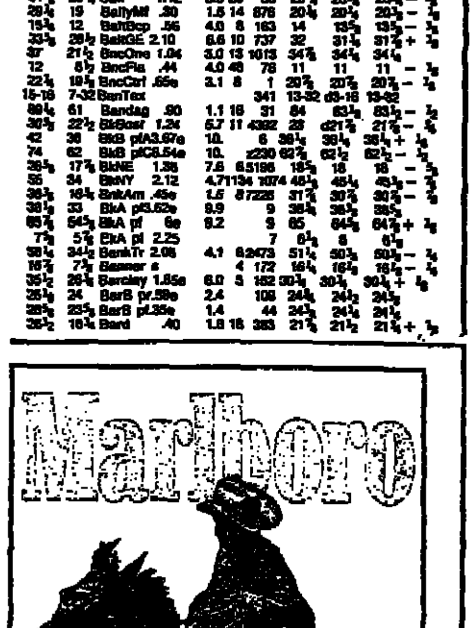

Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– X–Y–Z –								
69	53⅝	Xerox	3	4.9	17	1239	62⅝	61⅞	61⅞	– ⅞
48⅜	44½	Xerox pf4.13		8.8		90	47⅞	46⅝	46⅝	– ¼
44¼	25⅝	XTRA	.72	2.7	8	141	27¼	27	27	
4¼	2	Zapata				253	2⅝	2½	2⅝	+ ⅛
21½	13½	ZenithE				872	14	13⅝	13⅞	+ ⅛
2½	⅜	vjZenLb				690	⅜	9-16	9-16	
21½	15	ZenNtl	.84	4.6	8	222	18⅝	18¼	18⅜	
10⅞	7⅛	Zenix	1.25	16.		236	8⅛	8	8	– ⅛
18½	12½	Zero s	.40	2.5	15	350	16⅜	15⅞	15⅞	– ⅝
44⅞	25⅛	Zurnin	.68	1.7	16	128	39⅞	39¼	39¼	– ½
12⅞	10	Zweig	1.12e	9.6		647	11⅞	11⅝	11⅝	– ¼
10⅝	8¾	ZweigTl	.96	10.		1162	9⅝	9½	9⅝	+ ⅛

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies.-wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices October 23

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NASDAQ NATIONAL MARKET

3pm prices October 23

[illegible]

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WhlClub		25	222	15¾	15	15	– ⅞
WillyJ A	1.10	100	33	65	65	65	
Willamt	1.45	7	626	52¾	52⅛	52⅛	– ½
WilmTr	1.24	12	291	41½	40¾	40¾	
WiscTy		21	141	13¾	13½	13¾	
WiserO	.40	80	94	19⅝	19⅜	19½	
Wolohn	.28	9	99	18	18	18¼	– ½
WrlvEx b			240	8¼	8	8⅛	– ⅛
Worthg	.56	17	130	23⅞	23½	23½	– ⅜
Wyman	.60		290	15¾	15¾	15¾	
			– X–Y–Z –				
XL Dta s		15	130	20½	19⅛	19¼	–1¼
XOMA			2067	23	22¼	22½	– ¼
Xicor		9	1546	5	4⅝	4⅝	– ⅛
YanEnS	.35e		41	21¾	21¼	21½	+ ⅛
YelowF	.76	11	604	26½	25⅞	25⅞	
YorkRs			109	6½	6	6	– ⅜
ZionUt	1.44		90	30¾	30¼	30½	+ ⅛

AMERICA

Dow lower as the week opens in subdued trading

Wall Street

THE week started in subdued fashion with equities trading in a narrow range during the morning session, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 15.98 points lower at 2,673.16 on low volume of 82m shares.

The American Stock Exchange Index and the Nasdaq Composite were also lower as secondary markets too came in for their share of profit-taking after last week's substantial recovery from the losses of October 13 and 16.

The Dow Jones Transportation Index was lifted 16.72 points to 1,247.51 at midsession as UAL rose sharply on hopes of a revised buy-out proposal. UAL was quoted $13¾ higher at $181¼ following reports late last week and at the weekend that a new buy-out plan was to be presented to a board meeting yesterday.

Apart from developments on the UAL front, this week is expected to be relatively quiet as the market consolidates after extremely choppy and nervous trading last week.

The Dow Jones Industrial Average piled on 119.88 points last week, most of that achieved on Monday. This was the largest one-week gain in history. While some in the market view this swift and significant recovery from the 190 point drop on October 13 as a sign of the underlying strength of the market, others are rather concerned and believe that the market will again test the lows around 2,500 touched on Monday October 16.

There is a cautious camp in the investment community which believes that the 190 point fall was a necessary correction to an overbought market. The recovery last week, it feels, means that there has not been a proper correction to all-time highs earlier this month and that another fall will be needed before the market can again advance.

Even the more optimistic camp believes that progress from current levels could be painfully slow.

The key economic news this week comes on Thursday with preliminary figures for third quarter GNP. The consensus forecast is for a rise of 2.5 per cent (although some analysts believe the gain could be as much as 3 per cent) and for a rise in the implicit price deflator of 3.7 per cent compared with the gain of 4.6 per cent in the second quarter.

Financial markets will also focus closely on testimony before Congress by Mr Alan Greenspan, Fed chairman, scheduled for tomorrow. They are hoping for any hints that the Fed may be prepared to ease monetary policy by another notch soon.

Blue chips were mixed. Procter & Gamble added $⅞ to $130⅝ and Coca-Cola gained $1⅛ to $72⅞ while Philip Morris slipped $⅛ to $44⅜.

Mead jumped $1¼ to $38⅛ on a US press report that the Rales brothers, Washington DC-based investors, had bought a 3 per cent stake.

Texas Instruments fell $1⅞ to $33⅞ amid disappointment with the company's third quarter earnings reported last Friday which were below the level achieved a year ago.

Canada

QUIET and nervous trading reflected a cautious US market as Toronto stocks fell at midday.

The composite index lost 23.3 to 3,931.5 on volume of 19.57m shares. Declining issues outpaced advances 288 to 186.

Stocks were hurt by profit-taking, a soft dollar and nervous traders, analysts said.

Trading activity was slow, continuing a trend of quiet days following the October 13 drop.

World leaders put on a nonchalant display

MARKETS IN PERSPECTIVE

	% change in local currency †					% change in sterling †
	1 Week	2 Weeks	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	-7.53	-4.08	-1.12	+77.97	+76.99	+92.97
Belgium	-1.74	-1.51	-2.28	+14.76	+10.44	+20.14
Denmark	+0.47	+1.15	+1.90	+50.08	+27.68	+37.73
Finland	-3.62	-1.63	-4.53	+0.78	-2.77	+8.20
France	-3.72	-4.72	-3.57	+32.12	+22.00	+33.59
West Germany	-4.80	-6.67	-5.64	+15.85	+16.59	+27.05
Ireland	-0.57	-0.85	-0.23	+18.78	+29.32	+40.72
Italy	-4.44	-3.98	-6.65	+8.63	+9.45	+19.35
Netherlands	-2.47	-4.47	-4.58	+22.13	+19.20	+29.90
Norway	-2.91	-4.28	-6.09	+56.41	+35.27	+45.90
Spain	-3.42	-4.25	-5.33	+7.52	+12.73	+22.66
Sweden	-2.78	-1.73	+0.47	+44.74	+30.93	+41.76
Switzerland	-3.21	-4.44	-4.63	+14.35	+23.18	+29.71
UK	-2.38	-4.62	-3.08	+14.59	+19.26	+19.26
EUROPE	-3.13	-4.61	-5.15	+18.13	+18.84	+24.53
Australia	-3.67	-5.47	+0.04	+5.88	+14.30	+17.79
Hong Kong	-2.78	-4.49	-1.34	+7.85	+2.01	+16.14
Japan	+1.64	+1.24	+0.61	+23.56	+10.71	+10.70
Malaysia	-5.35	-3.16	-1.43	+44.41	+38.41	+55.66
New Zealand	-2.22	-5.10	-1.91	+13.85	+25.34	+33.41
Singapore	-5.35	-4.69	-4.06	+27.85	+28.45	+45.23
Canada	+1.57	-2.37	+1.48	+17.23	+18.07	+36.71
USA	+3.87	-3.32	+0.78	+22.08	+24.63	+41.94
Mexico	-0.53	+2.97	+3.47	+136.48	+128.60	+127.74
South Africa	-3.23	-5.61	-10.14	+27.55	+26.65	+41.46
WORLD INDEX	+1.17	-1.80	-0.90	+21.46	+16.80	+23.63

† Based on 20th October 1989

By Alison Maitland

IF the world's leading stock markets stared into the abyss for a brief but horrifying moment at the start of last week, they were putting on a breezy display of nonchalance by the end of it. It was as if nothing had happened. Almost.

The FT-Actuaries World Index closed last week with a gain of 1.2 per cent, thanks to Japan's refusal to join the lemmings – and to the remarkable bounce back by US shares from their plunge on Friday October 13. Japan ended the week 1.6 per cent higher, and 1.2 per cent better on the fortnight, while the US surged 3.9 per cent last week, leaving it just 3.3 per cent down on the fortnight.

When one looks at Europe, however, the bruises from last week's violent swing in share prices become more apparent. Falls of 4.8 per cent in West Germany, 4.4 per cent in Italy and 3.7 per cent in France contributed to a 3 per cent decline in the regional index (4.6 per cent over a fortnight) – a response to Wall Street's trigger that some see as perverse.

Hoare Govett, the securities firm, seeks to explain it in its weekly review. "The prospects for the mainland European economies are less risky than for the Anglo-Saxon markets, while the cause of the Wall Street wobble – highly leveraged bids – is unknown on the Continent," it says. "But the pain suffered by these markets in the aftermath of the 1987 crash was greater than in other world markets as UK and US investors retrenched to their domestic markets. This time, particularly in Germany, the private investors were quick to get in first to reduce their portfolios."

James Capel, in a technical investigation into last week's "impressive damage limitation exercise," also emphasises the distance between Europe and the local issue on Wall Street. In re-evaluating world markets, it argues, "there may well be grounds to mark down the US if leveraged buy-outs are really a thing of the past. We do not think that Europe should be a loser in this re-evaluation."

West Germany's 13 per cent plunge last Monday was perhaps the most surprising reaction to Wall Street's abrupt loss of confidence in leveraged bids. Merck Finck, the German private bank, says that even high short-term interest rates and exaggerated price/earnings ratios in certain sectors of the stock market did not justify such a severe correction.

It puts the fall down to psychology and suggests that banks, companies and the state should act to increase the loyalty of small investors to the stock market. But it also warns: "The 'crash month' October will have a psychological effect on investors' behaviour in the future."

The Pacific region presented a mixed picture last week. Singapore and Malaysia had severe setbacks on Monday and weaker recoveries than elsewhere, but countries such as New Zealand, one of 1987's worst casualties, came off relatively unscathed this time.

The last word must go to Mexico, which kept its nerve even after a rise of 129 per cent this year, losing just half a percentage point last week.

ASIA PACIFIC

Gains pared as peak comes back into view

Tokyo

A PROMISING outlook helped shares sustain their climb yesterday, although growing concern over the level of prices put the brakes on later, *writes Michiyo Nakamoto in Tokyo.*

The day began in buoyant vein and the Nikkei average made an intraday high of 35,670.05. Later hesitation and a rush of index-linked selling, however, left it 99.14 higher at 35,585.52 against a day's low of 35,513.62. Advances led declines by 556 to 355 while 181 issues were unchanged.

Turnover was sluggish at 605m shares, after 1.03bn on Friday. The Topix index of all listed shares gained 7.61 to 2,697.53. In London, the ISE/Nikkei index rose 2.05 to 2,070.59.

Last week's solid performance brought renewed confidence to the market and investor sentiment was bolstered at the end of the week by a succession of new investment funds, which were expected to push share prices higher. An estimated Y1,000bn of new funds are expected to become available, mostly on Thursday and Friday, of which about Y750bn could be invested in equities.

At the same time there was a growing sense that the market is reaching precariously high levels. Last week's four-day rising streak saw the Nikkei average only some 200 points short of the peak of 35,689.98 reached on September 28.

As a result, a good number of investors took a cautious line yesterday, preferring to take profits rather than add fuel to an arguably overheating market. There is a suggestion that it was this hesitation, combined with Monday sluggishness, that kept volume to its low level.

"The market's main character was its lack of character," said Mr Shoin Yokoyama at Credit Suisse Investment Advisory. There were no particular sectors which attracted a lot of interest, and no specific themes which aroused much excitement. Attention was diverted towards smaller companies, and the list of the ten most active stocks included a number of relatively unfamiliar names.

Smaller construction companies, which enjoyed a run earlier this year, were among those which found favour yesterday. Investors speculated that these would return to lead the market after their recent, and substantial, correction phase. Fujita, a medium-sized contractor, was second in volume terms with 14.1m shares and gained Y30 to Y1,850. Aoki, strong in civil engineering, increased Y70 to Y1,480 in active trading.

The takeover theme has residual charms in Tokyo. Medium-ranking, non-life insurance companies aroused buying interest on talk that the industry will see some restructuring in the near future. Nippon Fire and Marine was third most actively traded with 12.3m shares, and rose Y50 to Y1,800.

Tokyu Corp, the central company of the Tokyu group, topped the most actives list with 20.3m shares and advanced Y20 to Y2,390. Speculation continued that shares in Tokyu companies owned by their late chairman might pass to an outside stakeholder. Tokyu Corp itself saw a spectacular 22 per cent rise last week in buoyant trading.

Interest in specific issues led a 140-point rise in Osaka, which lifted the OSE average by 140.03 to 36,705.02. Volume slipped to 70.3m shares from the 89.9m traded on Friday.

Roundup

FURTHER recovery in parts of the Pacific Basin were overshadowed by uncertainty elsewhere, as the Antipodes looked sideways at yet another entrepreneur, *writes Our Markets Staff.*

AUSTRALIA was a mixture of quiet and disquiet. The market as a whole remained subdued, with the All Ordinaries index down 4.3 at 1,688.1 in turnover of 102m shares and A$176m, against 102m and A$188m last Friday. Its real problem, however, was with individual stocks.

Qintex Australia dived 17 cents to close at a record low of 16 cents on turnover of 1.6m shares. Qintex Ltd, which owns 55 per cent of QA, took a similar trajectory with a plunge of A$1.55 to A$1.50. On Friday Qintex Entertainment, a US associate, filed for Chapter 11 protection from its creditors; yesterday, the Australian Stock Exchange suspended QA and Qintex indefinitely.

FAI Insurances, a shareholder in Qintex, lost 12 cents to A$2.88. Bond Corp wavered in early trade before closing steady at 28 cents; last Friday, Bond made its overdue profit report, announcing an operating loss of A$814m for 1988-89.

HONG KONG recouped more of its 180-point nose-dive a week before, the Hang Seng index closing 22.22 higher at 2732.17, compared with 2,782.30 on Friday 13. Turnover was relatively light at HK$856m.

Banking shares again led the advance. Last week, Hongkong & Shanghai, the largest bank in Hong Kong, said it intended full disclosure of its inner reserves. Yesterday its shares rose to HK$6.45, up 60 cents over the past five trading days.

In addition, there were local rumours that agreement has been reached between the Government and China for the latter to take back Chinese illegal immigrants across the Hong Kong border. The rumours were confirmed after the market closed, by a government statement saying that China will resume taking back the illegal immigrants today.

SINGAPORE rose again in thinning turnover, the Straits Times Industrial index rising 19.42 to 1,365.02, as volume fell to 67m shares worth some S$134m, from 94m and S$181m.

Malaysian stocks moved tentatively higher, before what is widely expected to be a bullish budget next Friday.

SEOUL had its fifth successive decline, the composite index falling 6.04 to 891.30. Trading was thin at 5.5m shares valued at 126bn won.

EUROPE

Second line stocks move into Continental vacuum

STILL feeling somewhat battered after last week's turbulence, continental bourses took a breather yesterday, so that the second-line, speculative stocks made what little running there was, *writes Our Markets Staff.*

PARIS slipped quietly out of the October account as the bid by Paribas for two-thirds of Navigation Mixte removed another layer of speculative interest from the market.

Volume was thought to be down to FFr2.5bn from last week's daily figures of FFr4bn-FFr5bn, and the OMF 50 index eased 0.78 to 514.28, erasing earlier gains.

Analysts said that the market's 22 per cent rise this year, and its rapid turnround from last Monday's steep fall, had left it looking rather tired and short of ideas. Substantial further progress seemed to depend on new takeover ideas emerging.

The market has been kept on the boil by these for the past few months, first by the build-up to the Suez bid for *Groupe Victoire and then by* the Paribas/Mixte affair.

Navigation Mixte was suspended for news of Paribas' *cash or share bid, but there* were some steep rises in Mixte subsidiaries such as Fichet Bauche, the lock maker, up *FFr65 at FFr1,220, and* Via Banque, which rose FFr15.90 to FFr405. However, Paribas said its bid was not an asset-stripping exercise.

Paribas, which has itself run up on stake-building talk, came off FFr30 to FFr610.

Peugeot's share price initially rose on news that the strikes were almost over at the Sochaux and Mulhouse plants, but then fell back to close FFr13 weaker at FFr875.

FRANKFURT wavered in thin trading. Volume was such, at DM2.8bn, that a speculative second-liner came third in the most active stocks list. Continental, good for tyres and takeover talk, made DM178m of turnover, only DM2m short of blue chips like Bayer, the chemicals group, and Deutsche Bank, which tied for the top two places.

Political worries of the day included the losses of the ruling CDU party in elections in Baden-Württemberg, and the Berlin conference of IG Metall, the metalworkers union which is thought to have built up reserves of DM1bn, to fight a possible strike in pursuit of higher wages early next year.

The DAX index fell 5¾ points early in the session, and closed 0.99 lower at 1,523.22, the FAZ punctuating this with a mid-session close down 0.75 at 639.50. Continental rose DM7.50 to DM342 as Bayer led chemicals lower with a DM4.50 decline to DM293, and Deutsche Bank added DM4 to DM664.

MILAN was sucked lower as Montedison, fixed at L2,010 *from L2,022 on Friday, fell to* L1,958 in the after-market on talk of foreign selling and bearish reports from US analysts.

The Comit index eased 2.00 to 661.47 in light volume.

In banking, attention focused on Nuovo Banco *Ambrosiano after a statement* that NBA's shareholder syndicate has rejected Generali's bid for 13.32 per cent of its equity, and has *approved instead* the sale of the stake to Crédit Agricole of France. NBA shares closed L155 higher at L4,830.

AMSTERDAM *was helped up* by further recoveries in stocks which took more than their fair share of attrition in last *Monday's sell-off.*

The stronger dollar also helped, the argument being that while this could imply higher interest rates to *combat* imported inflation, the downside is outweighed by the benefits for exporting companies' profits.

The CBS tendency index rose 1.2 to 188.7.

Among internationals, Philips rose 40 cents to Fl 47.20 *before its third quarter results* on Thursday, and Unilever was up Fl 1.30 at Fl 152.20.

Recovery stocks included *Nedlloyd, up Fl 2.30 at Fl 92.70.* The transport company said it had finalised its acquisition of the West German haulier, *Union Transport,* which makes it one of Europe's leading road transport groups.

The insurance companies were also firm, while NMB rose Fl 3 to Fl 248.50. Its shareholders approved the merger with Postbank and a five-for-one share split, and the bank also said it was thinking about taking a stake in Banca Agricola Milanese of Italy.

ZURICH finished *easier in* quiet trading, as the Crédit Suisse index slipped 0.9 to 631.3. Swiss Volksbank fell *SFr10 to SFr1,690 in spite of an* optimistic line on profits at a press conference yesterday.

STOCKHOLM prices turned *down in low turnover.* The Affärsvärlden General index closed 8.5 down at 1,268.2.

Saab-Scania was among the *most active stocks but its free* B shares fell SKr18 to SKr250. The company is looking for a leading car producer in Europe *prepared to do a deal with it* after the collapse of its co-operation talks with Ford.

MADRID had another firm *day but eyes were fixed on* next Sunday's general election and trading was moderate. The general index rose 0.7 to 314.5.

BRUSSELS preferred to wait for today's resumption of computer trading and the session was quiet, with the cash index *edging up 5.06 to 6,560.79.*

OSLO closed mixed in lacklustre trading, with some profit-taking in the absence of new *factors. The all-share index* fell 1.21 to 504.76.

COPENHAGEN prices were narrowly mixed in very low volume *as investors* waited for the minority Government to clarify its position on the budget for 1990.

SOUTH AFRICA

GOLD shares closed slightly *lower in thin trading.* Vaal Reefs slipped 50 cents to R306 and Freegold eased 25 cents to R32.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 20 1989						THURSDAY OCTOBER 19 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	149.45	+0.5	139.49	128.68	+1.1	5.13	148.75	138.36	127.23	160.41	128.28	149.46
Austria (19)	162.57	-0.7	151.73	155.67	-0.3	1.55	163.64	152.21	157.30	172.22	92.94	95.22
Belgium (63)	142.52	+0.4	133.02	137.43	+0.5	4.02	141.94	132.02	136.69	144.49	125.58	126.46
Canada (122)	150.70	-0.4	140.66	128.11	-0.4	3.20	151.30	140.72	128.62	154.17	124.67	125.61
Denmark (36)	206.07	+0.4	192.33	202.99	+1.0	1.56	205.34	190.98	201.01	219.89	165.36	143.57
Finland (26)	124.34	-0.5	116.05	111.16	-0.1	2.54	124.97	116.24	111.31	159.15	123.12	123.90
France (126)	134.94	-0.6	125.95	133.36	-0.4	2.82	135.73	126.24	133.87	139.94	112.57	105.75
West Germany (97)	98.12	-0.9	91.58	94.58	+0.1	2.17	99.16	91.30	94.51	103.64	79.56	85.96
Hong Kong (48)	114.02	+1.6	106.42	114.32	+1.5	4.94	112.26	104.41	112.54	140.33	86.41	105.69
Ireland (17)	162.83	+0.1	151.98	159.61	+0.2	2.77	162.70	151.32	159.31	186.69	125.00	142.33
Italy (97)	89.22	+0.6	83.27	90.88	+0.6	2.51	88.71	82.51	90.37	96.73	74.97	84.35
Japan (455)	186.16	+0.3	173.75	167.51	+0.6	0.48	185.61	172.64	166.54	200.11	164.22	169.75
Malaysia (36)	199.93	+0.6	186.60	207.21	+0.7	2.59	198.65	184.77	205.81	209.22	149.35	139.44
Mexico (13)	323.63	+5.0	302.05	926.28	+5.1	0.56	308.11	286.57	880.23	326.61	153.32	156.48
Netherland (43)	128.20	-1.1	119.65	122.47	-1.0	4.53	129.57	120.52	123.66	131.72	110.63	109.31
New Zealand (19)	79.19	+0.4	73.91	71.42	+1.2	4.94	78.90	73.38	70.55	88.18	62.64	73.52
Norway (24)	177.98	+0.2	166.12	167.47	+0.6	1.56	177.68	165.26	166.47	196.39	130.92	119.03
Singapore (26)	159.54	+0.3	148.90	143.95	-0.1	2.08	159.08	148.41	143.76	170.62	124.57	121.67
South Africa (60)	145.14	-0.5	135.46	124.42	-0.3	4.88	145.86	135.66	124.78	160.24	115.35	111.56
Spain (43)	160.06	+0.1	149.41	143.59	+0.5	3.64	159.96	148.78	142.87	169.75	143.14	149.56
Sweden (35)	180.00	-0.4	168.00	171.87	-0.1	2.00	180.65	168.02	171.78	188.84	134.45	129.49
Switzerland (64)	88.93	-0.6	83.00	89.59	-0.5	2.11	89.44	83.19	90.03	94.16	67.81	83.89
United Kingdom (306)	141.71	-0.6	132.26	132.26	-0.3	4.59	142.64	132.67	132.57	158.41	133.28	137.21
USA (547)	141.08	+0.0	131.68	141.08	+0.0	3.28	141.02	131.16	141.02	146.29	112.13	115.55
Europe (996)	125.42	-0.4	117.06	119.47	-0.2	3.51	125.92	117.12	119.65	132.55	112.63	113.48
Nordic (121)	168.39	-0.1	157.16	158.04	+0.4	1.63	168.48	156.70	158.43	178.35	137.95	122.88
Pacific Basin (669)	181.99	+0.3	169.86	163.91	+0.6	0.72	181.41	168.73	162.91	194.72	160.44	166.34
Euro-Pacific (1665)	159.45	+0.1	148.82	146.11	+0.4	1.61	159.31	148.17	145.59	166.98	141.58	145.23
North America (669)	141.53	+0.0	132.10	140.25	+0.0	3.27	141.53	131.64	140.25	146.88	112.79	116.07
Europe Ex. UK (690)	114.44	-0.2	106.81	111.45	-0.1	2.77	114.69	106.67	111.51	118.51	96.30	98.59
Pacific Ex. Japan (214)	131.95	+0.7	123.16	119.05	+1.2	4.75	130.98	121.83	117.67	140.05	111.93	125.29
World Ex. US (1860)	159.11	+0.1	148.51	145.55	+0.3	1.69	158.90	147.80	145.05	166.35	141.49	144.22
World Ex. UK (2101)	152.59	+0.1	142.42	145.13	+0.3	1.99	152.40	141.74	144.71	156.04	136.98	132.70
World Ex. So. Af. (2347)	151.64	+0.1	141.53	144.05	+0.2	2.19	151.54	140.95	143.70	155.92	136.67	133.22
World Ex. Japan (1952)	136.29	-0.1	126.27	131.83	+0.0	3.43	135.43	125.98	131.93	140.43	114.51	115.54
The World Index (2407)	151.60	+0.1	141.49	143.92	+0.2	2.21	151.50	140.91	143.57	155.89	136.68	133.09

Latest prices were unavailable for this edition.

Constituent change 23/10/89: Name change: Orient Leasing to Orix Corp. (Japan)